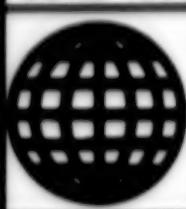


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JUNE 1992



# ***JPRS Report***

## **China**

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# China

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## Provincial

### Paper Reports on Hebei's 12 Opening-up Measures

SA 3004045692 *Shijiazhuang HEBEI RIBAO*  
in Chinese 22 Mar 92 p 1

[("Excerpts" of the 12 measures for expanding the scale of opening to the outside world, worked out by the Hebei Provincial CPC Committee and government on 18 March 1992]

[Text] A series of important statements of building socialism with Chinese characteristics made by Comrade Deng Xiaoping and the guidelines of the plenary session of the Political Bureau of the CPC Central Committee are strong ideological weapons for boldly promoting the opening to the outside world. The people from higher levels downward across the province should clearly understand the situation, grasp favorable opportunities, firmly implement the guidelines of the statements and the plenary session, do solid work, and closely serve the central link of economic construction. In line with the requirements for further emancipating the minds, becoming more bold, working out more methods, and further speeding up the pace, we should explore new ideas, study new measures, seek new ways, and make new breakthroughs in opening to the outside world. The guiding ideologies of opening to the outside world are as follows: Hebei should realize the target of opening to all directions, expand the scale of opening to the outside world to promote the deepening of reforms, and deepen reforms to promote the opening to the outside world. In the course of opening to the outside world, we should vigorously develop the export-oriented economy and particularly attach prominent importance to bringing in foreign capital and new high-tech and developing foreign export trade.

First, the province should select more than 100 large and medium-sized enterprises to find big traders, develop large-scale cooperation, conduct "grafting" transformation in the methods of joint investment and cooperation, and strive to enter the international market. At the time of grasping the work of these enterprises, we should mobilize the forces of all trades and professions, prefectures, cities, counties, towns, and townships to pioneer channels and layers to widely conduct external cooperation. Not only the industrial departments but also the agricultural, scientific and technological, financial and trade, and foreign trade departments should attend to it. Not only the Qinhuangdao-Tangshan-Cangzhou Bohaiwan foreign economic open area, Shijiazhuang, and Langfang City but also all prefectures, cities, and counties of the province should grasp it. All foreign trade companies should also develop enterprises involving foreign capital and the industries of processing and assembling with materials and specifications provided by foreign firms, develop foreign trade to promote the economic development, and develop foreign economic relations to promote the development of foreign trade.

This year, the province should realistically do a good job in improving the existing enterprises involving foreign capital and strengthen and improve the management and service of these enterprises. On the basis of striving to increase the economic results, we should ensure running 400 new enterprises involving foreign capital, strive to run 600 ones, and fight to run 800. Simultaneously, we should register a big increase in the direct use of foreign capital. This task should be divided between various trades and professions, departments, prefectures, and cities on the basis of responsibility for quota management.

Second, we should further deepen the reform of the foreign trade system and vigorously develop export trade and foreign exchange earnings. In the method of developing, at the same pace, specialized foreign trade companies, enterprises involving foreign capital, independently-managed export enterprises, and foreign trade companies at the prefectural, city, and county (city) [shi 1579] levels, we should ensure that the foreign exchange earnings of foreign export trade, the cost of earning foreign exchange, and the rate of recalling foreign exchange should attain or surpass the national average increase levels. We should deepen the reform of the foreign trade system and extensively carry out the agency system so that the prefectural, city, and county foreign trade departments will not only be able to fulfill the province-assigned foreign trade purchasing tasks but also actively pioneer channels for increasing export volume and foreign exchange earnings. All prefectures and cities should open various channels to positively export laborers and to undertake overseas construction projects.

Third, we should extensively pioneer channels and vigorously organize indirect use of foreign capital. This year, we should make breakthroughs in using export credits, commercial loans, and the loans granted by foreign governments, the World Bank, the Agricultural Development Fund, and the Asia Bank; and ensure to make greater increases with each passing year in the near future. Meanwhile, Shijiazhuang, Tangshan, and Qinhuangdao should positively explore ways and methods to set up cooperative banks and to issue stocks to the outside world.

Fourth, we should accelerate construction of development zones. The Shijiazhuang High- and New-Tech Industrial Development Zone and the Qinhuangdao Economic and Technological Development Zone should achieve substantial progress in using foreign capital, developing high- and new-tech industries, establishing joint ventures and cooperative and exclusively foreign-funded enterprises, and increasing exports to earn more foreign exchange. Tangshan, Cangzhou, Baoding, Xingtai, Handan, Langfang, Chengde, and Zhangjiakou cities and county-level cities where conditions permit should use their own funds to build provincial-level high- and new-tech industrial development zones through their own efforts. Qinhuangdao, Tangshan, Cangzhou, Shijiazhuang, and Langfang City should successfully draw

up plans and create favorable conditions for establishing export processing zones. Qinhuangdao should actively prepare for establishment of bonded districts.

Fifth, we should achieve success in developing large stretches of land. Qinhuangdao, Tangshan, Cangzhou, Shijiazhuang, Langfang, Baoding, and other prefectures and cities where conditions permit should invite trade partners to develop large stretches of land in line with the state industrial policy.

Sixth, provincial-level departments as well as prefectures, cities, and counties (cities) [shi 1579] should make friends extensively. Cities under the jurisdiction of the province and departments directly under the province which are in charge of various industries should establish economic and technological cooperation relations with large numbers of foreign business firms and domestic industrial and commercial enterprises. The province should look for some large financial groups with substantial economic strength in the world and establish economic and technological cooperation relations with them. Prefectures, cities, counties (cities) [shi 1579], and departments in charge of industries should all select cooperation partners from colleges and universities and scientific research units throughout the country.

Seventh, we should accelerate road construction. We should strive to complete the northern Shijiazhuang section of the Beijing-Shenzhen Expressway within this year. Regarding the southern Shijiazhuang section, we should strive to complete the World Bank's appraisal in the second half of this year and gain approval of the plan within this year so as to prepare for construction to begin next year. Construction of the Shijiazhuang-Taiyuan highway should begin in April this year. Plans for construction of the Qinhuangdao-Tangshan-Cangzhou coast highway should be made successfully this year, and we should strive to include it in the foreign capital utilization plan.

Eighth, we should step up airport construction. Construction of the Zhengding civil airport in Shijiazhuang should be started in the second half of this year and completed in one and a half years. Meanwhile, close attention should be given to the renovation of the Shanhaiguan airport. This project should be started in June this year and completed and commissioned in one year. We should make active efforts to conduct the feasibility study for the Jinan airport and strive to complete the letter of suggestion on this project within this year.

Ninth, we should accelerate the development of telecommunications. We should make sure that the Beijing-Shenyang-Harbin, the Beijing-Hankou-Guangzhou, and the Shijiazhuang-Hengshui-Cangzhou optical fiber telecommunications projects are started this year. Regarding the project to increase the capacity of the 160,000-line program-controlled telephone systems to be built with loans from the Canadian Government, business talks and arrangements for its geographical layout

should be completed within this year so that construction can be ensured. Business talks on the Qinhuangdao-Tangshan 50,000-line program-controlled telephone systems to be built with Spanish Government loans should also be expedited so that construction can begin next year. We should make sure that the Shijiazhuang-Baoding-Handan and the Langfang-Tangshan-Qinhuangdao mobile telecommunication projects are put into use at the end of next year.

Tenth, we should accelerate construction of harbors. We should provide great support to the construction of the fourth-phase project of the Qinhuangdao coal wharf and the construction of the E and the F sundry goods wharves and, in line with the demand for building them into commodity distributing center for foreign trade, strive to increase the exports for ordinary trade. We should strive for new progress in this work this year. The second 5,000-ton-class wharf of the Tangshan Harbor should be put into operation as soon as possible this year, and construction of the 35,000-ton berth should be started this year. We should strive to obtain state approval for the plan for the large Huanghua Harbor and begin construction of the Shuoxian-Huanghua Harbor Railway.

Eleventh, we should establish a number of subsidiary service facilities suitable for the demand of reform and opening-up. All prefectures, cities, and counties should make great efforts to improve the reception conditions and enhance the level of receiving foreign traders. Construction of the Shijiazhuang Zhongshan Building should start within this year and should be carried out rapidly. We should attract traders in other provinces and regions to rebuild the front building of Hebei Guesthouse with joint investment. By giving full play to the "window" role of agencies stationed in other provinces and regions, this year we should concentrate on building our agency in Beijing and should organize a group of competent cadres to strengthen the contacts, exchange information, and hold trade talks with state organs and with various foreign trade companies and corporations stationed in Beijing. We should also strengthen the building of our agencies stationed in Shenzhen and Xiamen to make them truly play the "bridgehead" role in opening to the outside world. In line with the principle of using foreign trade to promote the economy and simultaneously developing the economy and foreign trade, we should conscientiously rectify, readjust, and strengthen our economic and foreign trade organs stationed in the places outside the province and the country. We should also strengthen the forces of our existing agencies stationed in other places and strive to truly build these agencies into the "window" of exchanging information, contacting with customers, selling products, and attracting foreign investment.

Twelfth, we should improve the intangible environment of investment and raise work efficiency. The decision of the plans and the feasibility study reports concerning the projects directly using foreign investment (including projects under restriction) should be assigned to various

prefectural and city planning commissions (planned economic commissions) for examination and approval, in accordance with the stipulations of Document No. 58 (1988) issued by the Hebei Provincial Government. Except for the projects whose quotas and licenses are controlled by the state, the contract approval certificates and business licenses of projects directly using foreign investment should be handled, by Qinhuangdao, Tangshan, Cangzhou, Shijiazhuang, Langfang, Handan, and Baoding cities as well as Cangzhou Prefecture, which are entrusted to do so by the provincial government. And the joint venture and cooperative projects of township and town enterprises, which should be handled by the province, should be assigned to counties (districts under the jurisdiction of city authorities) for examination and approval. To raise work efficiency, the province will establish the system of holding joint conferences every Wednesday and Saturday, chaired by the opening-up office and participated in by the persons dispatched by various departments concerned, with the purpose of examining and approving foreign investment utilization projects to be reported to the provincial authorities and solving major problems cropping up in opening-up which various prefectures, cities, and departments would have difficulty in solving. Corresponding systems should be established in Qinhuangdao, Tangshan, Cangzhou, Shijiazhuang, Langfang, and other prefectures and cities which need the system in order to conduct "one-stop" management of foreign investment utilization projects. At the same time, we should establish the foreign-invested enterprise service center to take charge of the work of contacting with outside areas, providing consultations and data, and organizing trade talks. The examination and approval formalities for those going abroad should be simplified, with the whole process of formalities being completed within 20 days, of which, the formalities handled in prefectures and cities should take no longer than 13 days and those handled by provincial authorities should take no longer than 7 days. Even more convenient conditions should be provided for persons of the Chinese side of foreign-invested enterprises. In line with the principle of mutual benefit, we should further readjust and decontrol the policies on attracting foreign investment. Qinhuangdao city should take full advantage of the preferential policies given by the state to economic and technological development zones and should adopt flexible methods to attract foreign investment. Tangshan and Cangzhou should positively submit a report to the state on building their economic and technological development zones. Shijiazhuang, Langfang, and Chengde cities should positively submit a report to the state to gain approval to build open economic development zones. The remaining four cities directly under the jurisdiction of the provincial authorities may enjoy the province-stipulated policies adopted for open zones. In the provincial authorities, the late-stage management of foreign-invested enterprises should be undertaken by the provincial planning commission, but all prefectures and counties should also definitely assign, as quickly as possible, corresponding departments to strengthen management and service and to help

enterprises solve their problems in a realistic manner in order to make joint ventures involving foreign investment better and better in business and yield great results and to make some of such ventures become the samples to propagate the province's fine investment environment to the outside world.

In the course of expanding the scale of opening-up, all prefectures and cities should pay attention to opening to the domestic areas, strengthening cooperation with domestic areas, using domestic cooperation to promote the import of foreign investment, and using foreign investment to bring along domestic cooperation.

### **Hebei Province Releases Budget Report**

*SK0605103392 Shijiazhuang HEBEI RIBAO  
in Chinese 19 Mar 92 p 3*

[“Excerpts” of the Hebei Provincial report on implementation of 1991 budget and 1992 draft budget made by Han Xizheng, director of the provincial financial department, at the fifth session of the seventh provincial People's Congress on 3 March 1992]

#### **[Text] Implementation of 1991 Budget**

The 1991 budgeted revenues, as approved at the fourth session of the seventh provincial People's Congress, were 8,999.86 million yuan. The year-end budgeted revenues were readjusted to be 8,815.75 million yuan due to the fact that in the course of implementing the budget, the central finance supplemented special subsidies for export of textile products and cash awards to foreign trade enterprises and increased the agricultural tax reduction and exemption quotas out of disaster considerations. This is my report to the Standing Committee of the provincial people's congress. According to statistics, the provincial revenues in 1991 were 9,065.52 million yuan, fulfilling the readjusted budgeted target by 102.8 percent and showing an increase of 11.7 percent over the previous year. The increase was 7.1 percent if calculated in terms of comparable items. The major revenues were as follows: The industrial and commercial tax revenues totaled 7,567.70 million yuan, fulfilling the budgeted target by 100 percent and showing an increase of 7.3 percent over the previous year. The revenues from agricultural taxes and farmland use taxes reached 407.55 million yuan, fulfilling the budgeted figure by 114.4 percent and showing an increase of 11.6 percent. The revenues of industrial enterprises reached 588.14 million yuan, fulfilling the budgeted target by 98.8 percent and showing an increase of 1.7 percent. The refund to commercial enterprises reached 48.93 million yuan, fulfilling the budgeted target by 73.4 percent and registering a drop of 20.8 percent from the previous year. The refund to grain enterprises to cover their deficits reached 340.57 million yuan, fulfilling the budgeted target by 99 percent and registering a drop of 3.8 percent. The revenues of state budgeted regulatory funds reached 208.41 million yuan, fulfilling the budgeted figure by 100 percent and

remaining the level of the preceding year. Special revenues were 392.80 million yuan, fulfilling the budgeted figure by 115.3 percent and showing an increase of 21.2 percent. The revenues from other sources reached 270.06 million yuan, fulfilling the budgeted figure by 216.7 percent and showing an increase of 8.1 percent. In addition, the province also sold 648.02 million yuan of state bonds.

The 1991 budgeted expenditures, as approved at the fourth session of the seventh provincial people's congress, were 8,448.27 million yuan. The year-end budgeted expenditures were readjusted to be 9,910.20 million yuan due to the fact that in the course of implementation, central finance supplemented capital construction, potential-tapping, aid-agriculture and price hike subsidies. Statistics showed that the 1991 expenditures were 9,113.84 million yuan, fulfilling the readjusted budget by 92 percent and showing an increase of 4.4 percent. The major expenditures were as follows: Expenses in capital construction totaled 407.51 million yuan, fulfilling the budgeted figure by 88.3 percent and showing an increase of 10.8 percent over the preceding year. Expenses in tapping the potential of enterprises and conducting technological transformation reached 178.42 million yuan, fulfilling the budgeted figure by 74 percent and showing an increase of 76.1 percent. Expenses in trial manufacture of new products, experiment of new products, and key scientific research reached 68.58 million yuan, fulfilling the budgeted figure by 79.7 percent and showing an increase of 16.9 percent. Expenses in supporting the production of rural areas totaled 469.12 million yuan, fulfilling the budgeted figure by 74.5 percent and registering a drop of 6.9 percent. Expenses in agriculture, forestry, water conservancy, and meteorological work totaled 324.58 million yuan, fulfilling the budgeted figure by 93.9 percent and showing an increase of 8.1 percent over the previous year. Expenses in culture, education, and public health reached 2,610.89 million yuan, fulfilling the budgeted figure by 98.5 percent and showing an increase of 5.2 percent. Of this, expenses in education reached 1,577.03 million yuan, an increase of 4.3 percent; and those in scientific undertakings reached 71.20 million yuan, fulfilling the budgeted figure by 90.3 percent and showing an increase of 7.4 percent over the previous year. Administrative expenses and expenses in public security organs, procuratorial organs, and people's courts reached 1,509.40 million yuan, fulfilling the budgeted figure by 97.6 percent and showing an increase of 11 percent. Expenses in price subsidies reached 1,379.74 million yuan, fulfilling the budgeted figure by 94.7 percent and registering a drop of 17.8 percent.

The accumulated budgetary deficit of 1991 as approved at the fourth session of the seventh provincial people's congress was 210.11 million yuan. According to the preliminary calculation based on implementation of the 1991 budget and the state financial system instituted in our province, the deficit exceeded the budget made early that year by 27.95 million yuan, but it could be kept within 238.06 million yuan, the same level as in 1990.

In 1991, the provincial-level revenue totaled 779.99 million yuan, equivalent to 100.8 percent of the adjusted budget and an increase of 2.6 percent over the preceding year when calculated in terms of comparable standards. Of the total, industrial and commercial taxes came to 574.16 million yuan, equivalent to 99.3 percent of the budget and an increase of 6 percent over the preceding year; the revenue from enterprises showed a minus 316.81 million yuan, equivalent to 95.5 percent of the budget and an increase of 2.4 percent; power construction funds totaled 130 million yuan, equivalent to 100 percent of the budget and the same as in the preceding year; and the revenue from other sources was 24.84 million yuan, equivalent to 414 percent of the budget and an increase of 19.4 percent.

In 1991, the expenditure of the province totaled 2,607,050,000 yuan, accounting for 87.5 percent of the adjusted budget and showing a decline of 2.5 percent from the preceding year. Of the total, the expenditure on capital construction came to 352.23 million yuan, equivalent to 90.7 percent of the budget and an increase of 7.3 percent over the preceding year; the expenditure on the development of new products, intermediate experiment, and subsidies to important scientific research came to 15.5 million yuan, equivalent to 62.6 percent of the budget and showing a decline of 37 percent (mainly due to change in the level, which led to an increase in the expenditures of prefectures and cities); the expenditure in support of rural production came to 56.29 million yuan, equivalent to 61.9 percent of the budget and an increase of 54.8 percent; the operating funds for agriculture, forestry, water conservancy projects, and weather forecast service came to 54.97 million yuan, equivalent to 77.9 percent of the budget and maintaining basically the same as in the preceding year; the operating funds for cultural, educational, and public health undertakings came to 335.34 million yuan, equivalent to 95.4 percent of the budget and an increase of 6.5 percent, of which those for education stood at 168.93 million yuan, up 7.8 percent; the scientific funds came to 43.76 million yuan, equivalent to 87 percent of the budget and an increase of 9.4 percent; and administrative funds and the expenditure on public security, procuratorial, and judicial work came to 129.95 billion yuan, equivalent to 90.6 percent of the budget and an increase of 14.8 percent.

When balancing the province's 1991 revenue, the revenues turned over by prefectures and cities, the special funds and special subsidies from the central authorities, and the carry-overs from the preceding year with the funds to be turned over to the central authorities and the subsidies to the subsidized localities, the deficit of 1991 could be kept within 79.34 million yuan according to preliminary calculations, thus a budgetary deficit made in early 1991, would be 5.16 million yuan less than the preceding year.

The major characteristics in implementing the 1991 budget were as follows:

1. The total revenue exceeded the budget, but some items were not fulfilled successfully. The province's 1991

revenue exceeded the annual budget by 2.8 percent and showed an increase of 7.1 percent over the preceding year when calculated in terms of comparable standards. The growth rate remained basically the same as the growth rate of the province's economy. However, the revenue from budgetary industrial enterprises and the collection of funds for key energy and communications projects were lower than the budgeted amount because the economic efficiency of enterprises which had picked up slowed. This showed that factors leading to instability still existed concerning revenue.

2. The expenditure structure was readjusted. The increase in administrative expenditures still remained high. In 1991, the province fulfilled 92 percent of the readjusted budgeted expenditures and speeded up the pace of expenditures. The use of expenditures was basically reasonable. Of the major expenditures, the expenses in supporting enterprises to tap potential and conduct technological transformation and those in trial manufacture and intermediate experiment of new products and key scientific research increased by a big margin at the time of continuously supporting the development of education and agriculture. A tendency that price subsidies were reduced emerged for the first time thanks to the smooth progress of the grain and oil price reform. The changes in these regards indicated that the provincial expenditure structure tended to develop along with a reasonable orientation. What we could not ignore was that the administrative expenses in 1991 increased by 12.6 percent, surpassing the total expenditure increase rate due to the failure to change the situation where office workers and administrative personnel were over-staffed and the fact that the wages of staff office workers were readjusted. Simultaneously, the aid-agriculture expenses were reduced due to the fact that the budgets of some special funds were not defined on schedule and some localities had difficulty in distributing budgetary funds.

3. Financial deficits were brought under control but the financial strained situation has not been alleviated. In the past, the contradictions between revenues and expenditures were prominent, the financial deficits continued to increase, and the number of counties suffering deficits increased with each passing year. In 1991, the budgets at various levels were arranged in a quite strained manner. In the course of implementation, the state mapped out some items for increasing expenditures. With the concerted efforts at various levels, the province could strike a balance between revenues and expenditures and ensure not to increase the deficits as accumulated in the previous years. However, the provincial financial strained situation was extremely serious. Particularly, some cities and counties had extremely prominent pressure brought by reducing revenues and increasing expenditures and still had the phenomena that the wages of their working personnel could not be paid on schedule.

In 1991, the province was confronted with many financial work difficulties and had sharp contradictions between revenues and expenditures. After adopting some measures for increasing revenues and

reducing expenditures in mapping out the budget at the beginning of the year, we ensured a balance between revenues and expenditures. Due to the deficits accumulated in the past years, the province had no choice but to have 210.11 million deficits. Some new factors for increasing revenues and reducing expenditures emerged in the course of implementation. For instance, some localities were hit by natural disasters, the wages and subsidies increased, and the province implemented preferential policies toward state-owned large and medium-sized enterprises. All this brought about more difficulties to the balance between revenues and expenditures. Under such a situation, the governments at various levels and all departments concerned positively broadened sources of income and reduced expenditures and did a lot of work to realize the budget as approved at the fourth session.

A. We formulated and implemented the financial development plan. To improve the provincial financial strained situation and to realize a favorable financial and economic circulation, the provincial party committee and the provincial government in March cosponsored the provincial financial work conference to work out the "decision on strengthening the financial work and improving the financial situation," the county-level financial "double-creation and double-change" plan, and the project for helping industrial enterprises turn deficits into profits; to define the guiding ideology and the fighting goal of the financial work in the Eighth Five-Year Plan period; and to set forth major measures for developing the economy, cultivating financial resources, increasing revenues, and striking a balance between revenues and expenditures.

To truly carry out the financial quotas defined by the Eighth Five-Year Plan, the provincial government assigned to all localities responsibility letters on fulfilling limited quotas, including striking a balance between revenue and expenditure, bringing deficits under control, creating 80 million- or 50 million-revenue counties and eliminating subsidized counties, and making industrial enterprises reverse the pattern of acquiring deficits to making profit. These quotas should be assigned by each level to the next lower level. Most of the 66 major profit- and tax-delivering enterprises and most of the 35 major deficit-halting enterprises in the province met the demands set by the plan. The number of money-losing industrial enterprises covered by the provincial budget was reduced by 81, and the amount of their deficits declined by 5.45 percent.

B. We positively supported production and made great efforts to cultivate financial sources. Large and medium-sized state enterprises constitute the major source of revenue. To better run large and medium-sized enterprises, the provincial government organized financial, tax, and other pertinent departments to formulate policies and measures and tackled enterprises' problems

with the methods of "discussing one problem on one occasion," and "providing one policy for one plant." Concerning the problems of making false claims of fulfilling financial quotas and the confusion in financial management which existed in some enterprises, we conducted conscientious investigation, analysis, and study of them and then offered opinions to enterprises to help them change their managerial mechanism. Despite the extremely serious financial shortage, financial departments at all levels tried every possible means to raise funds to primarily support the technological transformations of chemical industrial, machinery, and light industrial enterprises, thus alleviating, to a certain extent, some enterprises' shortage of funds. They also circulated these funds and used them to develop new products and promote technological progress of enterprises.

C. We made great efforts to organize financial revenues by overcoming difficulties. In 1991 the province effected an overall increase in production and sales. However, owing to the failure in rationalizing the relations among different economic sectors, the managerial and operational level of enterprises was not high, and economic efficiency picked up slowly. In addition, affected by the serious "debt chains" of enterprises and product stockpiling, the work of organizing financial revenues experienced difficulties. Governments at all levels paid high attention to and strengthened leadership over this work and adopted many measures to promote production and increase revenues. In the work of organizing revenues, governments at all levels organized financial, tax, and other pertinent departments to resolutely grasp the collection and management of key tax sources and key tax categories, strengthened the collection and management of the scattered taxes from individual business, and regarded the clearing-up of tax arrears as an important link in organizing revenues.

D. We ensured the demand of key expenditures and strictly controlled non-productive expenditures. Despite serious financial shortages, financial departments at all levels tried every possible means to release funds to increase appropriations for agriculture, education, science and technology, and aid to the poor. These departments also made great efforts to curb and reduce non-productive expenditures. In agricultural investment, these departments persistently leaned to the production of grain, cotton, and oil-bearing crops, promoted the construction of agricultural infrastructure, and organized forces to carry out the agricultural projects loaned by the World Bank, the comprehensive agricultural development on the Haihe Plain, the ecological construction, and the development of poverty-stricken areas. The appropriations for education registered an increase of 8.9 percent over the previous year, the appropriations for the three-purposed scientific and technological projects and for operating scientific undertakings registered an increase of 11.9 percent, and the appropriations for supporting the under-developed areas registered an increase of 23.2 percent. In strengthening management

of expenditures, governments at all levels adopted some effective measures to control the increase in non-productive expenditures.

E. We strengthened financial supervision and strictly enforced financial and economic discipline. We emphasized the following work. First, we formulated and promulgated a series of methods and regulations for the management of funds, state property, taxes, and financial and accounting work to further institutionalize and standardize financial management work. Second, we examined the final accounts of revenues and expenditures and special funds. Third, we conscientiously conducted the 1991 tax, finance, and price inspection. By the end of the year, 406 million yuan of illicit funds were discovered, of which 205 million yuan should be turned over to financial departments. A total of 189 million yuan, 92 percent, was already recalled. Fourth, we paid close attention to checking the arbitrary levying of fares, fines, and donations. We canceled 1,667 levies and found that irrational burdens totaling 1.22 billion yuan on various quarters of society could be reduced every year. We also paid attention to establishing necessary rules and systems. Fifth, we strengthened the management of state property.

The province scored some achievements in its financial work over the past year despite very difficult conditions, but there were still some problems in the implementation of the financial budget which we should not neglect. First, enterprises' low economic efficiency remained a major problem affecting financial work. Second, funds were scattered, the functions of finance were weakened, financial participation in the distribution of national income became decreasingly smaller, the proportion of revenues in the national income declined, and individual income increased rather rapidly. Such a trend is still continuing. Third, some localities and units did not truly embrace the idea of austerity, and lavish spending, waste, and losses were still common. Fourth, financial departments at all levels faced difficulties and very conspicuous contradictions between revenues and expenditures. In particular, some counties encountered increasing financial difficulties. Financial management remained imperfect and could not meet the needs in the development of the economy and other undertakings.

#### The 1992 Draft Budget

The principles for arranging the 1992 budget of the province are to greatly support reform and opening up, consolidate and develop achievements in economic improvement and rectification, and promote a steady improvement and appropriate growth rate in the economy; to actively support the endeavor to improve large and medium-sized enterprises, transform their internal mechanism, strengthen their management, and improve their economic efficiency; to further increase agricultural investment, strengthen management of agriculture-oriented funds, and promote an all-around development in the rural economy; to strengthen tax collection and management, resolutely collect taxes

according to law, strictly control tax reduction and exemption, and prevent losses in revenues to ensure steady growth; and to continue the principle of retrenchment, adjust the structure of expenditures, strictly control expenditures, ensure a financial balance, and strive to reduce the deficit.

According to the 1992 draft budget submitted to this session for examination, revenues totaled 9,619,850,000 yuan, an actual increase of 4.4 percent over the preceding year in terms of comparable standards. The essential breakdown is as follows: industrial and commercial taxes total 8,075,650,000 yuan, up 6.7 percent from the preceding year; agricultural taxes and farmland use taxes 415.92 million yuan, up 2.1 percent; the revenue from industrial enterprises comes to 555.81 million yuan, down 5.5 percent; the revenue from commercial enterprises minus 50.42 million yuan, up 3 percent; subsidies to cover the deficits of grain enterprises total 342.46 million yuan, basically the same as in the preceding year; revenues from the funds for state key energy and communications projects is 154.5 million yuan and that from the state budget regulatory funds 195 million yuan; special revenues, such as additional education funds and funds for power construction, comes to 413.83 million yuan, up 5.4 percent; and revenues from other sources 179.04 million yuan, down 33.7 percent. In addition, the state assigned the province to sell various kinds of bonds worth 1.2 billion yuan, and the tasks have been assigned to various levels.

The province's 1992 financial spending budget is 8,785,540,000 yuan. Of this budget, the amount spent within the year is 7,792,830,000 yuan, a 6.8 percent increase over 1991. Items in this amount include 291.42 million yuan for capital construction projects, a 0.3 percent increase over 1991; 134.24 million for having enterprises tap their potential and conduct technical renovations, a 27.5 percent increase over 1991; 65.6 million yuan for the three scientific and technological projects, a 28.9 percent increase over 1991; 410.21 million yuan for supporting agricultural production, a 10.7 percent increase over 1991; 326.63 million yuan for developing the undertakings of agriculture, forestry, water conservancy, and meteorology, a 10 percent increase over 1991; and 2,709,710,000 yuan for developing the undertakings of culture, education, and public health, a 10.9 percent increase over 1991. Of the spending of culture, education, and public health, that of education is 1,701,040,000 yuan, an 11.2 percent increase over 1991; that of scientific undertakings is 72.4 million yuan, a 6.5 percent increase over 1991; that of pensions and social relief is 257.84 million yuan, an 8 percent increase over 1991; that of administrative fees, public security and procuratorial organs, and of people's courts is 1,354,670,000 yuan, a 10 percent increase over 1991; that of subsidies for price hikes is 430.24 million yuan, a 31.4 percent increase over 1991; and that of total preparatory fees is 159.62 million yuan, a 0.9 percent decrease over 1991.

The province's financial revenues for the year and the subsidies appropriated by the central authorities total 171.62 million yuan; the revenue accounts transferred from 1991 and the surplus scored from the special items total 690.48 million yuan (according to initial calculations); funds transferred from places outside the province reached 192.49 million yuan; money accumulated from the reduction in funds to be handed over to the central authorities reached 2,134,960,000 yuan (including 1,892,100,000 yuan in reductions for systematic reasons and 242.89 million yuan in reductions scored from special items). Provincial funds available for the year total 8,547,480,000 yuan, showing an unfavorable balance of 238.06 million yuan in offsetting the 8,785,540,000 yuan in financial spending, and are equal to those available for 1991.

The province's 1992 budget of financial revenues is 961.02 million yuan, a 2.9 percent increase calculated in terms of comparable items over 1991. Of this revenue budget, that of industrial and commercial tax revenues is 638.4 million yuan, an 11.2 percent increase over 1991; that of revenues collected from industrial enterprises is 163 million yuan, a 13.9 percent decrease over 1991; that of revenues collected from commercial enterprises is 910,000 yuan, a 2.2 percent increase over 1991; that of subsidies for making up the losses caused by grains enterprises is 358.45 million yuan, being equal to that of 1991; that of funds for power industry construction is 150 million yuan, a 15.4 percent increase over 1991; and that of other income is 11.08 million yuan, a 55.4 percent decrease over 1991.

The provincial level financial spending budget is 2,428,890,000 yuan. Of this budget, spending for the year is 1,922,770,000 yuan, a 7.6 percent decrease over 1991. Major spending items for the year include 280 million yuan for capital construction projects (including 40 million yuan in funds that are absolutely collectible and 20 million yuan in funds used for building auxiliary facilities), being equal to those of 1991 by calculating in term of comparable items; 35 million yuan of funds for helping enterprises tap their potential and conduct technical renovations, a 16.7 percent increase over 1991; 48 million yuan of funds used for the three scientific and technological items, a 45.5 percent increase over 1991; 186.35 million yuan of funds used for supporting rural production, an 8.8 percent increase over 1991; 22.8 million yuan of funds used for supporting undeveloped areas, a 14 percent increase over 1991; 88.15 million yuan of funds used for work in agriculture, forestry, water conservancy, and meteorology, a 3.3 percent increase over 1991; and 375.83 million yuan of funds used for the areas of culture, education, and public health, a 5.4 percent increase over 1991. Of the spending of culture, education, and public health, that of education undertakings is 200.51 million yuan, a 5.5 percent increase over 1991; that of scientific undertakings is 45.45 million yuan, a 7.1 percent increase over 1991; that of pensions and social relief is 26 million yuan, a 5.1 percent increase over 1991; that of administrative management and of public security and procuratorial organs

and people's courts is 88.29 million yuan, a 9.5 percent increase over 1991; that of subsidies for price hikes is 165.38 million yuan, a 64.1 percent decrease over 1991; and that of total preparatory fees is 50 million yuan, equal to that of 1991.

Balancing the 1992 revenue, 171.62 million yuan of central subsidies, 426.78 million yuan (preliminary figure) of carry-overs from the preceding year and special carry-overs, 3,070,690,000 yuan turned over by prefectures and cities (1,760,890,000 yuan turned over by prefectures and cities due to system reasons and for special purposes and 1,309,800,000 yuan of "three taxes" from the cities under the jurisdiction of the province), and 60 million yuan from other sources with the 2,134,960,000 yuan to be turned over to the central authorities and 205.6 million yuan of aid to be allocated to subsidized localities, 2,349,550,000 yuan are left at our disposal. Balancing the disposable funds with the provincial-level expenditure of 2,428,890,000 yuan leaves a deficit of 79.34 million yuan, which is the same as in the preceding year.

In arranging the 1992 draft budget, we paid attention to resolving the following issues: 1) actively supporting the endeavor to improve large and medium-sized state enterprises to promote steady growth in the revenue, 2) ensuring the appropriate growth in the expenses for supporting agriculture, technical transformation, and scientific and technological undertakings and giving consideration to the general needs in administrative funds, 3) gradually rationalizing the price systems to stabilize and improve the people's living standard, and 4) strictly controlling the deficit to ensure a financial balance for the year.

#### **Emancipate the Mind, Raise the Spirit, and Strive To Fulfill the Tasks of the 1992 Budget**

A. With improving large and medium-sized state enterprises as the focus and improving economic efficiency as the purpose, we should launch in-depth activities to put an end to deficits, increase profits, and promote production to increase income. First, we should conscientiously implement the guidelines of the central work conference held last September, resolutely carry out the policies and measures defined by the central authorities and the province for improving large and medium-sized enterprises, and help enterprises apply fully and successfully the various existing preferential financial and tax policies. Second, we should adopt every possible means to raise funds to support enterprises to carry out technical transformation, develop new products, adopt new technology, and increase the production of readily marketable products so as to enhance their vigor. Third, we should continue to disseminate modern methods for enterprise management, help enterprises transform their operating mechanism, and strengthen the financial supervision and inspection of enterprises. We should ascertain enterprises' hidden deficits and false profits and handle such problems with a realistic spirit. In addition, we should lighten the burden on enterprises by

improving the managerial methods and closing loopholes. Fourth, we should make continuous efforts to help enterprises reduce deficits and increase profits. Through the aforementioned work, we should strive to increase the number of local budgetary industrial enterprises which turn over more than 5 million yuan of profits and taxes to higher authorities and to reduce the deficits to the minimum.

B. We should continue efforts to increase the county-level financial strength. This year, we should build two counties whose revenue reaches 80 million yuan each and strive to raise the number of such counties to four; build four counties whose revenue reaches 50 million yuan each and strive to make the number of such counties eight; and make six counties independent of subsidies and strive to increase the number of such counties to eight.

C. We should strengthen tax collection and management and organize the sources of revenue in a rational manner. We should conscientiously enforce state financial and tax laws and regulations, strictly control the reduction and exemption of funds to be collected, and ban overstepping of authority to grant reduction and exemption. Tax departments should strictly check tax reduction and exemption and should consult with finance departments before they grant above-quota tax reductions and exemptions. We should conduct provincewide inspection on how the policies on major taxes, such as product tax, value added tax, and business tax, have been implemented. We should resolutely deal blows to tax evasion, refusal of tax payment, and intervention in tax departments' performance of official duties. We should strengthen the collection and management of the taxes from individual businesses and other scattered sources and achieve new progress in this work. Enterprises should resolutely honor the contracts that they have signed and ensure handing fixed amounts of revenue over to higher levels. The financial departments should join the distribution of above-quota revenues and realistically avoid becoming involved in the problems of contracting only for profits but not for deficits. We should adopt measures to collect, according to law, fixed amounts of four agricultural taxes, key energy and communications construction funds, and budgeted regulatory funds. We should conscientiously issue, transfer the possession of, and cash state bonds; make efforts to strengthen the management of foreign capital; and increase efficiency in the use of foreign capital.

D. We should persist in the principle of balancing revenues and expenditures, optimize the expenditure structure, and strictly control expenditures. In arranging expenditures, we should guarantee some key expenses, such as the expenses for personnel wages, necessary public expenses, and expenses in agriculture, science and technology, technological transformation, and education. The expenses in some other aspects should roughly remain the same as the preceding year. We must strictly control but not surpass the expenditures in the course of implementation. The financial departments at various

levels should give priority to arranging the agricultural-aid funds, try every possible means to increase the input into agriculture, concentrate agricultural funds on developing farmland water conservancy projects, support the research, popularization, and application of overall agrotechnologies, and support the improvement of the rural socialized service work. In the principle of readjusting the structures and increasing the economic results, we should appropriately concentrate the distribution and use of technological transportation funds and ensure the completion of key projects. Regarding administrative expenses, the financial departments at various levels should conscientiously implement the central decision on congealing the authorized size of administrative units, continuously carry out the method of contracting for the authorized administrative and their expenses.

**'Excerpts' of Heilongjiang Budget Report**  
SK1205061592 Harbin HEILONGJIANG RIBAO  
in Chinese 11 Mar 92 p 2

[("Excerpts" of the provincial report on implementation of the 1991 budget and the 1992 draft budget made by Zhao Jicheng, director of the provincial financial department, at the fifth session of the seventh provincial People's Congress on 2 Mar 1992)]

**[Text] 1. Implementation of 1991 Budget**

The 1991 budgeted revenues and the 1991 expenditures, as approved at the fourth session of the seventh provincial People's Congress, were 7.757 billion yuan and 6.972 billion yuan respectively. The revenues were readjusted to 7.897 billion yuan because in the course of implementation, 88 million yuan of additional educational funds were brought into revenues and 52 million yuan of subsidies to the enterprises of state farms were covered by the state. The real revenues were 7.81 billion yuan (these were bulletin statistical figures, there must be changes in final accounts, the same below) fulfilling the readjusted budgeted figure by 98.9 percent, 80 million yuan less than the budgeted figure, and showing an increase of 129 million yuan or 1.7 percent over the previous year if calculated in terms of comparable items. The expenditures were readjusted to 9.31 billion yuan because the state added 2.43 billion yuan of special funds (2.23 billion yuan were special funds and 200 million yuan were subsidies for final accounts), 140 million yuan of subsidies for undertakings of state farms were covered by the central financial department, 88 million yuan of educational funds and 1.01 billion yuan of expenditures were added, and 1.05 billion yuan of expenditures were transferred to the expenditures of next year. The real expenditures were 9.53 billion yuan, fulfilling the budgeted expenditures by 102.4 percent and showing an increase of 359 million yuan or 4.2 percent over the preceding year. After striking the balance between the usable financial resources (indicating the readjusted budgeted expenditures) and the real expenditures, there was a margin of 220 million yuan. We should strive to strike a balance between revenues and expenditures or

reduce the deficits to the minimum with the efforts to increase the revenues in the course of sorting out the final accounts, rejecting unreasonable expenses in the course of examining the final accounts, and striving to gain state allocations in the course of examining and approving the final accounts. After reporting the readjusted budget to the state for examinations, we will submit a report on final accounts to the Standing Committee of the provincial People's Congress.

The major items covered in the 1991 provincial revenues were as follows: The industrial and commercial tax revenues were 7.846 billion yuan, fulfilling the budget by 97.9 percent. The revenues of industrial enterprises were 71.32 million yuan, fulfilling the budget by 57.4 percent. The revenues of commercial enterprises were minus 35.34 million yuan, exceeding the budget by 32.8 percent. The revenues of agricultural and livestock enterprises were minus 70.79 million yuan, fulfilling the budget by 68.9 percent. The revenues of reform-through-labor and education-through-labor enterprises were minus 65.13 million yuan, exceeding the budget by 33.5 percent. The revenues of grain enterprises were minus 899 million yuan, fulfilling the budget by 98.1 percent. The revenues of agricultural taxes were 330 million yuan, exceeding the budget by 23.9 percent. The farmland occupation tax revenues reached 41.25 million yuan, fulfilling the budget by 73.9 percent. The revenues from other sources were 290 million yuan, exceeding the budget by 88 percent.

Of the 1991 expenditures, the expenses in capital construction were 540 million yuan; those in tapping potential and conducting technological transformation were 42 million yuan; those in trial manufacture of new products, intermediate experiment, and key scientific research totaled 76.83 million yuan; those in agricultural, forestry, and water conservancy undertakings and the aid-agriculture expenses totaled 930 million yuan; those in industrial, communications, and commercial undertakings totaled 140 million yuan; those in urban maintenance were 600 million yuan; those in cultural, educational, and public health undertakings were 1.906 billion yuan (including 1.18 billion yuan of expenses in education); those in scientific undertakings were 112 million yuan; the social relief funds totaled 196 million yuan; the administrative expenses totaled 710 million yuan; and the price subsidies totaled 2.058 billion yuan.

In 1991 our province overfulfilled the task of purchasing 540 million yuan of state and special bonds and collected 280 million yuan for the construction of key projects of energy resources and communications and 230 million yuan for the state budget regulation.

A. We shifted the emphasis of work and vigorously supported the program of making science and technology prosperous. First, we greatly increased the input in science and technology. The province's total spending on science and technology in the year reached 188 million yuan. Of this, that on scientific undertakings was 15.8 percent more than 1990 and surpassed the

increased scale of the province's total spending by 11.6 percent. We emphatically supported the development of agricultural scientific research, newly built or expanded 15 bases of intermediate experiment and three key laboratories, and promoted or accelerated the development or application of a large number of mature and high-effect scientific research results, such as breeding trichogramma, controlling corn borers, and manufacturing particle fertilizer and blood by-products. To enhance the self-development of scientific research units, the provincial financial department provided special funds and circulation funds for supporting scientific research units to create incomes rationally, which earned 49.65 million yuan of income in the year. Second, we coordinated efforts on promoting the transformation from scientific and technological results to productive forces. The provincial financial department accompanied by the provincial Science and Technology Commission and the banking department successfully sponsored the exhibition and trade talks of scientific and technological results. The provincial financial department also provided 10-percent subsidies and large amounts of circulation funds for encouraging production units to apply the results, and banks also released 31 million yuan of loans for supporting production units to accept the transfer. Governments at all levels also gave vigorous support in funds to the contracted items that had been appraised as useful. To explore ways for financial units to support the program of relying on science and technology to make the economy prosperous, the provincial financial department also basically built a demonstration zone in charge of this task in Suihua Prefecture. Third, we increased special funds for supporting the programs of making science, technology, and the economy prosperous. In addition to the original funds, the provincial financial department also appropriated 45 million yuan to the scientific and technological result reserve, the awards fund for the scientific research units and scientific and technological personnel, and the fund for making scientific and technological knowledge universal and of training scientific and technological personnel. The people's governments and financial departments at all levels also adopted multiple methods for increasing input in science and technology and enhancing the content of special policies in this regard. Fourth, we emphatically enforced the special policy on having the support fund given by financial departments be used for having science and technology to make agriculture prosperous. The financial departments throughout the province invested more than 30 million yuan in this, which was used for building the service systems of agricultural scientific research and farming technological popularization. They supported the agricultural groups to sign contracts of 10.42 million mu of farmland on enforcing scientific and technological farming, to vigorously popularize the new agricultural technologies and the fine seeds with high scientific and technological content, to show a 24.7 percent increase in output over that yielded by the original fine-seed bases, to show an 18.3 percent increase in the acreage of farmland on which fine seeds have been popularized, to

improve 50 township-level comprehensive service stations of agricultural technology and 10 county-level service centers, to newly build 120 township-level comprehensive livestock service stations, and to increase the total number of comprehensive livestock stations at the town-township level to 1,010 that account for 84 percent in the total number of townships and towns throughout the province.

B. We vigorously fostered the financial resources and increased the practical financial strength at the county level. To implement the measures of making the county-level finance and economy prosperous, the provincial financial department organized 16 work teams to go to cities and counties that have fulfilled the target set in the plan for eliminating subsidies to appraise their feasible work results, and enforced in an overall way the "5, 5, 12, 21" development target of making the county-level finance prosperous; having five counties score 100 million yuan in their annual financial revenues, five counties score 80 million yuan, 12 counties score 50 million yuan, and 21 counties who are subsidized eliminate their subsidies. To help these cities and counties stop the subsidies as soon as possible, the provincial financial department raised funds in different ways and supported these cities and counties trying to stop their subsidies to use the special funds in starting a large number of projects that foster financial resources and make the economy prosperous. The provincial People's Government also entrusted the provincial financial department to sign an agreement with the governments of these cities and counties on fulfilling the target. Governments and finance departments at all levels made active efforts to comprehensively implement the major measures for rejuvenating the county's finance and economy. They strengthened organizational leadership, increased capital investment, adopted supporting and preferential policies, and worked in close coordination, thus pooling efforts to effectively promote work. Governments at all levels throughout the province also did a great deal to strengthen town and township finance and expand their management of money matters, thus enabling the total revenue of all the towns and townships of the province to increase by 9.4 percent over the preceding year, which was much higher than the average growth in the county-level revenue.

C. We greatly supported enterprise improvement and economic efficiency. First, we gave policy support. To improve large and medium-sized enterprises, the party Central Committee, State Council, and the provincial party committee and government issued a series of policy measures. To implement these policy measures, the provincial finance department also drew up and put into practice the methods for handling financial affairs. When appraising and ratifying the second-round contracts of enterprises, it adhered to the principle of different measures for different matters and different plants and adopted special responsibility methods for the Qiqihar Steel Plant, Hualin Rubber Plant, and other key large and medium-sized enterprises. Governments at

all levels also granted many preferential policies to local large and medium-sized enterprises. This provided a fairly relaxed external environment for improving large and medium-sized enterprises. Second, we gave capital support. To support and facilitate industrial enterprises' development of new products and application of new technology, the provincial finance department issued interest discount loans for technical transformation and increased the allocation of circulating funds to support the development of 18 new products and expand the production of 30 brand name products. To strengthen the use of extrabudgetary funds, the province used the interministerial funds saved by special depositors to support 1,280 projects, which helped increase profits and taxes by 21.44 million yuan. To support the development of border trade and economic and technological cooperation enterprises, the provincial finance department issued circulating funds to help these enterprises increase their profits by 20 million yuan in the year. To support the development of township enterprises, the provincial finance department raised the quota of circulating funds in support of township enterprises from 10 million yuan in the past to 15 million yuan and issued 19 million yuan of circulating funds in 1991. The circulating funds of urban collective enterprises also increased from 12 million yuan to 13 million yuan. Third, we paid close attention to reducing deficits and increasing profits. Regarding industrial enterprises, we focused on 56 large profit and tax producers whose annual tax and profit payment exceeded 3 million yuan and 124 large deficit producers whose annual deficit exceeded 1 million yuan, conducted regular investigations to understand their production and management, and organized support to them on a priority basis. To gradually overcome the long-standing difficulty in reducing the deficits of grain enterprises, the provincial government continued the method of assigning city and county governments the responsibility for grain purchases, marketing, transfer, and revenues and carried out in-depth activities to compare targets, find out where one lagged behind, tap potential, and raise efficiency. This plus the state policy of subsidy for special grain storage to lighten the burden of enterprises helped the grain enterprises of the province reduce their deficits by more than 100 million yuan as compared with the preceding year. Thanks to the particular support to agriculture-related enterprises and the method for selected enterprises to promote the work of others, the deficit reduction tasks of the enterprises as defined in early 1991 were all fulfilled. Fourth, we made great efforts to promote the effective use of idle state property. The property right exchange markets in Harbin, Qiqihar, and Mudanjiang alone helped exchange the property of 64 enterprises, enabling 31.87 million yuan worth of property which were left idle or used with low efficiency, 280,000 square meters of space, and 125,000 square meters of factories to be used effectively and more than 7,000 staff members and workers to be replaced.

D. We vigorously organized financial revenues and realistically enhanced the tax revenue management. First,

we enforced the system of breaking down the targets and assigning tasks at every level. To ensure the fulfillment of tax revenue tasks, tax affairs departments enforced the double-track management of the tax revenue plan and succeeded in having all tax revenue personnel know the plan, having all tax-paying enterprises know the plan, and having tax revenue personnel stationed in plants for collection. Tax affairs subbureaus (offices) at the grassroots level throughout the province enforced overall the new collection and management pattern by separating tax revenues from tax management and inspection. According to statistics given in a bulletin, the province realized 9.405 billion yuan of industrial and commercial tax revenues in 1991 (including the central-level revenue), a 5.1 percent increase over 1990 and fulfilled the state tax assignment by 102.4 percent. The rate of tax statements submitted within the given date by state-run and collective-run enterprises across the province reached 98.7 percent, and the rate of those submitted within the given date by individually run industrial and commercial enterprises reached 97.7 percent. Second, financial departments at all levels realistically enhanced the collection and management of agricultural, farmland utilization, agricultural and forestry speciality taxes and of contracts. On the premise of implementing the policy of collecting what should be collected and reducing what should be reduced, the province collected 330 million yuan of agricultural taxes and overfulfilled the state revised assignment. Third, we brought into full play the lever role of tax revenues and actively did the work of promoting production and increasing revenues. To foster tax resources, tax affairs departments at all levels across the province also approved 1.066 billion yuan in tax reduction and exemption, loan repayments with tax payments, and tax refunds in honor of export achievements, all on the premise of implementing the policies. They also succeeded in supporting and promoting the technical renewal and renovations and the further development of enterprises, trained over 12,000 financial personnel for collective-run enterprises, and released 8.46 million yuan in circulation funds that effectively promoted the production development and fostered reserve tax resources.

E. We upheld the principle of maintaining some expenditures and curtailing some and optimized the spending structure. First, we ensured a stable increase in key expenses. The key expenditure to support agricultural production showed a 9 percent increase over 1990 and a 4.8 percentage point increase over the province's total spending, that to support educational undertakings showed a 6.9 percent increase over 1990 and a 2.7 percentage point increase over the province's total spending, and that to support scientific undertakings showed a 15.9 percent increase over 1990 and an 11.6 percentage increase over the province's total spending. The province overfulfilled the task of having financial departments support agricultural production. The provincial-level scientific and technological groups overfulfilled their contracting plan by 420,000 mu of farmland, invested 10 million yuan in the renewal of large farm

machines and tools, drew 220 million yuan of investments from various circles, renewed 3,769 additional large farm machines, and increased the acreage of converted dry farmland into paddy fields by over 1 million mu. To support the development of educational undertakings and improve teaching conditions, financial departments at all levels across the province invested 81.7 million yuan in this regard, drew 124 million yuan of funds raised by the masses and arranged by rural villages, and rebuilt 600,000 square meters of condemned houses among middle and primary schools, which accounted for 62.6 percent in the total number of condemned houses that should be rebuilt and surpassed the rebuilding plan by more than 100,000 square meters. The province also achieved marked results in enforcing the special policy among scientific and technological projects and increased investments in them. The province gave scientific and technological progress awards for 206 scientific and technological results. Of these results, 31 reached international advanced standards, 134 reached national advanced standards, and 84 industrial results were popularized or applied, earning 386 million yuan of new output value and realizing 158 million yuan in profits and taxes. Second, we effectively brought under control the excess increase of administrative charges and continuously enforced the "method" of being responsible only for one subordinate level in handling administrative expenses, bringing expenses under control, conducting fixed-quota management, and awarding the thrifty and punishing the wasteful. Such expenses were effectively brought under control, and the increased rate of these expenses was obviously less than the rest of the country.

Third, institutional purchases were brought under strict control. To keep the expenses on institutional purchases at a reasonable level, purchase control offices at all levels throughout the province screened and reduced nearly 100 million yuan worth of irrational consumption. Cars to be purchased were reduced by 749 to save 71.15 million yuan of expenses. Purchases by social groups at and above the county level throughout the province totaled 2.55 billion yuan, accounting for 99 percent of the state-assigned quota.

F. We strictly enforced financial and economic discipline and attached great importance to checking arbitrary collection of fares, fines, and donations. First, we attached great importance to the supervision of financial and economic discipline on a regular basis. According to statistics, the province inspected more than 1,000 enterprises, institutions, and administrative organs, handled 85 complaints lodged in people's letters and visits, discovered more than 70 million yuan of illicit funds, and recalled and collected more than 36 million yuan of illicit funds and fines. Second, we attached great importance to the large-scale tax, finance, and price inspection. Through the inspection in 1991, illicit funds, such as tax evasion, misstatement of cost, and illegally withheld profits, totaled 322 million yuan were discovered. A total of 156 million yuan of the 214 million yuan that should

be turned over to the coffers were already recalled. Third, we attached great importance to checking arbitrary collection of fares, fines, and donations. By abolishing and banning the collection of some types of fares, fines, and donations, the province reduced the burden on enterprises, institutions, and the masses by 190 million yuan. Fourth, we attached great importance to checking and correcting the unauthorized manufacture of uniforms. Through investigations, 24,300 people throughout the province were found to have unauthorized uniforms, among whom 21,600 persons had the marks on the uniforms taken off and paid some of the uniform-manufacturing money according to regulations. In this way, the problem of the unauthorized manufacture of uniforms was by and large redressed.

There were still some problems, which we must not neglect, in implementing the 1991 budget. They were manifested mainly in four aspects. First, we did not do enough to reduce deficits and increase profits, and the economic efficiency of local budgetary enterprises declined. In 1991, the deficits of loss-making enterprises of all trades and professions throughout the province totaled 2.6 billion yuan, up 5.7 percent from the preceding year. Of the loss-making enterprises, 676 were budgetary industrial enterprises, 41.2 percent of the total, and their deficits were as much as 774 million yuan, up 40.3 percent from the preceding year. Setting the profits against the deficits of the budgetary industrial enterprises throughout the province left a profit of 75.29 million yuan, down 76.4 percent from the preceding year. Second, a rather large shortage of financial resources emerged, and the contradiction between revenues and expenditures was aggravated. According to the statistics of the bulletin, there was a difference of 220 million yuan in the 1991 expenditure, and 25 cities and counties had deficits, which would total 193 million yuan. This not only caused difficulties in the circulation of funds but also would seriously affect the economic development of these cities and counties. Third, the problem of ostentation and extravagance remained very serious, which increased the burden of finance departments and enterprises. Some poor counties went beyond their financial capacity to purchase high-grade cars and seek modernization of their office equipment, and some enterprises with declining efficiency continued to increase their wage and issued bonuses as usual. Fourth, financial and economic discipline breaches remained very serious. The arbitrary levy of fares, fines, and donations and discipline breaches continued despite efforts to check and investigate them, and the misuse and waste of funds remained very serious. Among the many reasons for the aforementioned problems, poor financial management and lax supervision were important ones. We should give great attention to them and strive to solve them when carrying out work in the future.

## 2. The Province's 1992 Budget Draft

Arrangements for the province's financial budget this year are as follows. First, strenuous efforts should be made to support and promote reform and opening, to

consolidate and develop the achievements made in the programs of improving the economic environment and rectifying economic order, and to promote the stable increase of the national economy. Second, a good job should be accomplished in vigorously supporting and boosting large and medium-sized enterprises and implementing relevant policies to urge them to switch their losses to profits and to increase their economic results. Third, efforts should be continuously made to increase the key spending on agriculture, science and technology, and education, to support the development of the county-level economy, and to reinforce the economic practical strength at county and township levels. Fourth, efforts should be made to enhance the collection and management of tax revenues, to bring tax reduction and exemption under strict control, and to curtail losses in income. Fifth, efforts should be made to uphold the principle of belt tightening and to upgrade the effect of tax usage by bringing the spending under strict control and enhancing the work of tracing tax evasions and of giving feedback. Sixth, efforts should be made to strictly enforce budget management, to uphold the principle of fixing the spending in line with the income, to prevent the practice of eating next year's food, and to strive to maintain a balance between revenues and expenditure. The arrangement for the province's financial revenue is 8.01 billion yuan, a 4.2 percent increase calculated in term of comparable items over 1991. Excluding funds transferred to the state in line with the regulations and those settled in the accounts between the state and our province, the available financial resources for the province is 6.94 billion yuan. According to the principle of keeping expenses within the income limit and of fixing expenditures in line with income, the relevant arrangement for the province's financial spending is 6.94 billion yuan, a 3.9 percent increase calculated in terms of the comparable items. The province's budget is balanced because revenue offsets expenditure.

Arrangements for major revenues are as follows:

The arrangement for industrial and commercial tax revenues is 8.133 billion yuan, a 280 million yuan increase over the figure given in the 1991 bulletin.

The arrangement for agricultural tax revenues is 350 million yuan, being basically equal to the figure given in the 1991 bulletin.

The arrangement for the tax revenues of industrial enterprises is 125 million yuan, a 33.35 million yuan increase over the figure given in the 1991 bulletin.

The arrangement for the tax revenues of commercial enterprises is minus 16.76 million yuan, a 18.59 million yuan decrease over the negative figure given in the 1991 bulletin.

The arrangement for refunds to the agricultural, animal husbandry, and aquatic production enterprises is 74.22 million yuan, being equal to the figure given in the 1991 bulletin.

The arrangement for refunds to grain enterprises that experienced losses is 996 million yuan, a 96.4 million yuan increase over the figure given in the 1991 bulletin.

The arrangement for other revenues is 168 million yuan, a 12.3 million yuan decrease over the figure given in the 1991 bulletin.

The arrangement for the revenues of additional education tax is 97.24 million yuan, a 8.9 million yuan increase over the figure given in the 1991 bulletin.

Arrangements for major expenditures are as follows:

The arrangement for spending on capital construction is 330 million yuan, being equal to the 1991 level.

The arrangement for the expenditure to have enterprises tap their potential and conduct technical renovation is 260 million yuan, a 4 percent increase (calculated in term of comparable items, the same will apply below) over the 1991 budget.

The arrangement for expenditures to support agricultural production is 290 million yuan, a 5 percent increase over the 1991 budget.

The arrangement for expenditures for agricultural, forestry, and aquatic undertakings is 360 million yuan, a 3 percent increase over the 1991 budget.

The arrangement for expenditures on educational undertakings is 1.017 billion yuan, a 5 percent increase over the 1991 budget.

The arrangement for expenditures on the three scientific and technological projects and scientific and technological undertakings is 177 million yuan, a 7.9 percent increase over the 1991 budget.

The arrangement for expenditures on administrative charges is 600 million yuan, a 3 percent increase over the 1991 budget.

The arrangement for expenditures on the activities of public security, procuratorial affairs, and people's courts is 310 million yuan, a 3 percent increase over the 1991 budget.

The following problems appearing among the arrangements for the province's 1992 financial spending budget need to be explained:

A. The issue of the lower increased rate of financial spending. The arrangement for the province's revenue budget this year shows a 4.2 percent increase over the practical revenues of 1991, and the increased rate in the expenditures budget only reaches 3.9 percent. This has been the province's lower increased rate in its revenue and expenditure budgets since 1980. The lower rate of the revenue budget this year has been formulated with our consideration noting that the industrial enterprises across the province, which are the financial resources of our province, have persistently earned lower economic

results, particularly that the industrial enterprises covered by the province's budget suffered a large slump in profits and a sharp increase in losses last year, and that these enterprises will have difficulties changing their outlook this year. The province has reduced more than 200 million yuan of tax revenues, because the state has readjusted or reduced the taxes of timber products (from 10 percent to 5 percent) and enforced the policy of restricting production quotas. This makes it difficult to maintain a normal growth rate in the province's budgetary revenue, even though we arranged our budgetary revenue as 357 million yuan higher than the state-assigned quota. As this year's budgetary revenue is low and difficult to fulfill, people throughout the province should make concerted and hard efforts to attain the target. A low increase in the revenue is bound to lead to a low increase in the expenditure. Meanwhile, it will be more difficult to control the expenditures and arrange the budget. This requires our governments at all levels to lead an austere life and spend according to their capacity and never to make a deficit budget or anticipate their income. Only when they practice austerity, make a tight expenditure budget, and spend the money where it is needed most can they raise the efficiency in the use of funds.

**B. The issue on optimizing the structure of the expenditure.** This year, the province's budgetary expenditure has been tightly arranged, and its increase rate is low. However, the principle of giving prominence to key projects while giving consideration to ordinary ones and ensuring some projects while reducing others is fully reflected in the arrangements for various projects, and preferential arrangements for the projects supporting agriculture, science and technology, and education continue. Governments at all levels should also follow this principle when arranging their expenditures, adopt effective measures to achieve success in spending less money, doing more work, and increasing efficiency, lead an austere life still better, and strive to enliven the use of funds amid austerity and achieve development amid difficulties.

**C. The issue on the refund to cover the deficits of enterprises and various price subsidies.** This year's budget requires us to strictly control and implement the revenue and the expenditure. In particular, the refund to cover the deficits of enterprises and price subsidies can only be reduced or controlled and never increased or exceeded. Governments at all levels should adopt effective measures to control and reduce the refund and the subsidies. Our policy is to reward those who diligent and punish those who are lazy. We will not give refunds for above-quota deficits, but we will give refunds ahead of schedule to the enterprises which hold the promise of reducing deficits. Financial subsidies play a positive and also a negative role and have become a heavy burden. Taking the in-depth price reform as a turning point, we should gradually reduce the unnecessary subsidies. Meanwhile, we should conscientiously strengthen financial supervision and resolutely reduce the irrational and above-quota price subsidies to ensure the fulfillment of the province's budget.

### 3. Strive To Successfully Fulfill the Province's Tasks of the Budget for 1992

To make sure that the 1992 tasks of the budget are fulfilled successfully, governments at all levels and the various departments in charge of the economy should emancipate the mind more, have greater courage, conduct reform more speedily, and continue to promote financial work in line with the party's principles and policies and the work focuses defined by the provincial party committee, by taking economic construction as the central task, and in line with the idea of developing science and technology, developing the economy, developing finance, and developing all our undertakings. Focusing on improving the conditions for scientific research and facilitating the transformation of scientific research achievement, we should serve the endeavor to develop science and technology from all directions and in the entire process. Focusing on improving the conditions for agricultural production, we should go all out to serve the endeavor of coordinated development of grain production, animal husbandry, and township enterprises, that of trade, industry, and agriculture, that of agriculture, science and technology, and education, and that of urban and rural economies and the endeavor to develop the county economy. Focusing on improving large and medium-sized state enterprises, we should serve the endeavor to promote a steady development of enterprises. Focusing on achieving a balance between the revenue and the expenditure, we should pay close attention to increasing the revenue and reducing the expenditure, greatly broaden the sources of income, fulfill the tasks of the budgetary revenue and expenditure, and serve the endeavor to develop all the province's undertakings and the endeavor to successfully build the "two civilizations." Through such conscientious service, we should raise the efficiency of the economy as a whole and facilitate the gradual improvement of the financial situation.

First, we should focus our work on successfully running large and medium-sized enterprises and comprehensively raising their economic efficiency.

1) Do a good job in implementing relevant policies. We should comprehensively implement all policies formulated by the party Central Committee, the State Council, and the provincial party committee and government on invigorating large and medium-sized enterprises. We should correctly handle the relationship between annual financial expenditures and long-term development of enterprises. We should guarantee "three funds" (depreciation, circulating, and technological development funds) collected from enterprises are used in production development and technological progress.

2) Establish and perfect an appraisal system. We should further perfect the system of appraising management and contracted work as well as economic accounting. We should establish a system of regular statistics to analyze

major economic efficiency targets of large and medium-sized enterprises. We should comprehensively implement policy measures for supporting and running large and medium-sized enterprises.

3) Strengthen enterprise operation and management. We should resume the practice of appraising the grade of overall economic accounting of large and medium-sized enterprises. We should promote change in the internal operational mechanism of enterprises, improve the distribution system, strengthen basic work, and improve and perfect distribution of an enterprise's total payroll on its economic performance. We should overcome the phenomenon of substituting contract system for management, reduce materials consumption, cost, and expenses, and unceasingly raise the profit rate of funds and sales as well as the circulation rate of funds.

4) Continue to explore ways to invigorate enterprises. We should support large and medium-sized enterprises and enterprise groups to establish scientific and technological products development centers. We should strengthen applied research, development, and utilization of new products. We should strengthen policies for helping enterprises develop and apply mature and highly efficient scientific and technological achievements and support them with funds. Departments concerned should jointly promote operational change of large and medium-sized enterprises and strive to make major progress in smashing the system of guaranteed jobs, positions, and wages, as well as the practice of big common pots.

5) Expand mass media and propaganda. The provincial financial department, news agency, and television station should publicize a series of reports on "successfully running enterprises, ending deficits, and increasing profits" and promote their work by fostering positive examples, popularizing advanced experiences, and exposing existing problems.

Second, we should emphasize converting scientific and technological achievements into productive forces and comprehensively support scientific, technological, and economic development.

1) Support and improve conditions for scientific research. This year the provincial financial department should continue to invest in 14 key agricultural scientific research institutes to improve research conditions, realistically strengthen the building of intermediate experimental bases, and equip key laboratories by groups.

2) Support scientific and technological basic theoretical research. In addition to supporting specialized basic theoretical research units to improve quality and make improvements, we should also actively support institutions of higher learning and applied science research units to display their advantages in basic theoretical and scientific research. Beginning this year, we will arrange an annual sum of 1.4 million yuan for establishing a support fund for natural science basic theoretical research. All localities should pay full attention to it.

3) Support applied technological development. We should increase support of the establishment of high technology development zones and expand the dynamics of high and new technological development. Provincial financial organs should gradually expand the proportion of agriculture-oriented funds, industrial technological transformation funds, and three scientific and technological funds for the development of applied technology. We should boost enterprises' enthusiasm in scientific and technological development. Under the premise of supporting state industrial enterprises to fulfill their contracted and delivery tasks, we should set aside 1 or 2 percent of their sales income for scientific and technological development for use as a technological development fund.

4) Support the conversion of scientific and technological achievements. During the Eighth Five-Year Plan period, the 10 million yuan fund of the provincial financial department for popularizing scientific and technological research achievements should increase annually an average rate of 10 percent. The newly established fund for storing and transforming scientific and technological research achievements should be kept at 2 million yuan every year. Two million yuan should be awarded every year to scientific research institutes and institutions of higher learning with the most scientific and technological achievements, service to the development of reserve forces, and social and economic efficiency to further motivate scientific research institutes and scientific and technological personnel.

We should successfully sponsor the scientific and technological achievements fair this July with the participation of provinces and municipalities in the country. We should formulate policies to encourage enterprises toward even more scientific and technological achievements to create conditions for applying better scientific and technological achievements to the provincial economy. This year, the provincial financial department will also arrange special funds of 1.5 million yuan to support development of demonstration areas for invigorating the economy through scientific and technological means to popularize scientific and technological achievements throughout the province.

5) We should support scientific management and policy-making. Financial departments should try to ensure that policy and research departments of party committees and governments have essential appropriations to organize and build organs, launch activities, and investigate studies. If conditions permit, appropriations in this field should be added year by year.

6) We should popularize scientific and technological knowledge and the training of talented people. Beginning this year, the provincial financial department should release 500,000 yuan every year to popularize scientific and technological knowledge and train talented people. Research institutes' specialists and professors should hold training classes, with a focus on training mid-level or above scientific and technological personnel to help

enterprises tackle technological difficulties as well as apply advanced scientific and technological achievements. We should financially support the publication and distribution of some scientific and technological books and periodicals high in application value and strong in the function of popularizing science. Each year, we should arrange 300,000 yuan to establish the excellent academic works publishing fund to encourage and protect initiative and creativity of authors of scientific and technological treatises so that society understands and applies science and technology.

Third, we should comprehensively support the development of the county economy, focusing on helping to invigorate county-level finance and economy.

1) We should vigorously depend on science and technology to strengthen industrial vitality. We should try our best to support technological transformations of existing enterprises, promote application of scientific and technological achievements, and vigorously develop new products to enhance our market competitiveness.

2) We should strengthen support to counties that stop accepting financial subsidies as well as poverty-stricken counties. We should support not only counties and cities that stop accepting financial subsidies to develop the economy and cultivate financial resources, but also border, minority, and poverty-stricken counties to develop county economy and enhance financial strength.

3) To strengthen the building of an agricultural infrastructure, we should exploit aid-agriculture funds to attract even more financial resources to fields urgently needed by agricultural production. We should constantly improve conditions for agricultural production and should emphatically support building water conservancy works and rebuilding and repairing flood-damaged facilities to strengthen resistance to floods and waterlogging. We should support changing nonirrigated farmland to irrigated farmland and accelerate transforming middle- and low-yield farmland to increase grain output. We should support the renewal of large agricultural machines and expand acreage of tractor-plowed farmland. We should support cultivation of land fertility and comprehensive development of agricultural science and technology to improve agriculture's ecological environment. We should support rural areas to perfect the socialized service system, supporting agricultural technology service stations at the county, township, and village levels to create conditions for the comprehensive prosperity of rural economy.

4) We should facilitate progress of the "four coordinated developments." We should facilitate coordinated development of grain production, animal husbandry, township enterprises, trade, industry, agriculture, science and technology, education, and urban and rural economies. We should greatly support diversified economic development, promote the adjustment of rural production, develop related industries and products, and support the

"first workshop" engaged in processing farm and sideline products. We should develop agriculture to promote industry, industry to accumulate financial resources, and financial resources to promote agriculture.

5) We should greatly support border trade development, economic and technological cooperation, and tourism. We should greatly support border cities and counties to develop border trade and economic and technological development. We should turn border cities into financial pillars to enhance economic strength of county-level finance.

6) We should greatly support township enterprise development. The emphasis is on supporting technical transformation of township enterprises, actively providing information to them, and further applying policies to encourage them to assimilate new technology, develop new products, and enhance the capacity for sustained development.

Fourth, we should comprehensively increase revenues, focusing on helping enterprises reduce deficits and increase profits.

1) We should emphasize reducing deficits. Governments at all levels should regard deficit reduction and profit increase as important tasks to raise efficiency. They should strive to reduce deficits and increase profits of key trades such as lumber, grain, and foreign trade, as well as key varieties, such as pigs and vegetables. They should urge all trades and professions to conscientiously carry out activities to compare targets, discover weaknesses, tap potential, and increase efficiency. They should urge industrial enterprises to strengthen their management and pay great attention to marketing to reduce deficits. They should urge grain enterprises to use increases in grain and oil marketing prices to diversify their businesses, develop intensive processing, lower cost, reduce subsidies. Businesses should continue to "use processing to subsidize commerce, supplementary production to support main production, negotiated price to make up for government price, and exports to support domestic sales." They should urge food enterprises to "decentralize the pig business by decontrolling purchasing and marketing prices for pigs." They should greatly develop "diverse production while emphasizing trade" to gradually attain the goal of independent management responsible for its profits and losses. They should urge vegetable enterprises to combine control with decentralization, emphasizing decentralization, and gradually relax control, expand businesses, and reduce deficits.

2) We should strengthen guidance. Based on in-depth investigations and study, governments should draw up realistic and feasible plans for reducing deficits and increasing profits and apply policies to stop enterprises with high deficits or low profits from raising wages and issuing bonuses as usual. Finance departments every

year should appraise and reduce subsidies to unproductive enterprises and never grant subsidies, tax reduction, or deficit exemption because of poor management or deficits.

3) We should try harder to reduce deficits. Governments should greatly promote enterprises' endeavors to reduce deficits and increase profits, send personnel to investigate large profit or deficit producers, and adopt different measures for different cases, such as cooperation, merge, or support, to help them improve. We should adopt measures to suspend production permanently or temporarily of enterprises that have suffered deficits for a long period of time and hold no promise of reducing them. We should merge them with others or change their production lines.

Fifth, by carrying out the key tasks of promoting and enhancing the collection and management of tax revenues, we should realistically curtail all tax evasions and collect all taxes that deserve to be collected. 1) Efforts should be made to strictly manage taxes in line with the law. We should resolutely block tax reductions and exemptions which exceed authority and bring tax reductions and exemptions under strict and firm control. While approving tax reductions and large exemptions, the tax affairs department should consult the financial department at the same level. 2) Efforts should be made to strengthen the collection and management of the "four taxes" (agricultural tax, taxes for special local farming and forest products, and taxes for land utilization and contracts) and of the "two funds" (funds for building key energy resources and communications projects and funds for regulating the budget). We should achieve in having every tax payer assume rational burdens and collecting taxes in line with the law and the practical income, strictly enforce the policy of collecting the "two funds", strictly implement discipline, and collect all taxes that should be collected. 3) Efforts should be made to enhance the key sources for taxes and the collection and management of scattered tax revenues. We should improve and enhance management of the key sources of taxes and adopt measures to block tax loopholes and to prevent the large-scale lose of tax revenues. Continuous efforts should be made to strengthen the collection and management of the taxes collected from individuals and the scattered tax revenues, to continuously tap the potential of scattered tax revenues, and to steadily carry out the examination and inspection of individual and local taxes. 4) efforts should be made to enhance the work of clearing up the debts and recovering them. Tax affairs departments at all levels should continuously enforce the method of "setting up special offices in charge of tax transition" among the enterprises that have run into large tax debts to clear up the old debts and to prevent new ones. Banking offices at all levels should ensure the full-amount of tax money to be handed over to the state in a timely and preferential manner strictly according to the order of paying taxes first and receiving loans next and of making cash deposits first and receiving interest next.

Sixth, we should carry out the key task of working out the method of further improving reforms in the existing financial system and further bring into play the enthusiasm of governments at all levels in increasing revenues and curtailing expenses and in managing financial affairs by being the masters of the country. 1) Efforts should be made to further explore the way to improve the existing financial systems. By carrying out deep and careful investigation and study, we should summarize the experience, develop the merits and eliminate the demerits, straighten out the relationship, and further explore an effective way of deepening the reform drive so as to bring into full play the enthusiasm of various social circles in increasing revenues and curtailing expenses as well as in broadening the sources of income and reducing expenses. 2) Efforts should be made to further deepen the reform of the financial system at the town-township level. We should orient the successful experience gained in conducting reform in the financial system at the county level onto that at the town-township level on a large scale and in line with local reality. Efforts should be made to gradually expand the power of towns or townships in financial affairs and their financial resources so as to have them integrate their rights in financial affairs with that in administration work and enhance their vitality and practical strength of financial affairs. 3) A good job should be continuously done in conducting the pilot work of "separating taxes from profits" for reform. We should earnestly summarize the experience gained by Mudanjiang in conducting this pilot work, improve and deepen the reform method of "separating taxes from profits", and work out the standardized form of correctly handling the distribution relationship between the state and enterprises so as to provide lessons and experience for popularizing the method on a large scale in the province. 4) Efforts should be made to promote the full enforcement of social security systems. The financial department should support the method of enlarging the scope of unemployment insurance, increase the sources of funds for the insurance, and promote the healthy development of conducting reform in the social security system. Meanwhile, we should adopt practical steps for supporting the deepening progress of reform in the housing system. 5) Efforts should be made to vigorously popularize the successful methods and experience gained in the price reform of grains, hogs, vegetables, and coal. We should make efforts to integrate in an organic way the work of deepening the price reform with that of relieving the financial burden.

Seventh, we should give priority to practicing economy, leading an austere life, and optimizing the expenditure structure, and comprehensively raise the utilization effect of financial funds. 1) Firmly establish the ideology of engaging in arduous struggle and leading an austere life. 2) Proceed our work with readjusting the increased fixed assets and optimize the financial expenditure structure. We should make continued efforts to mainly increase the input of funds in the agricultural, educational and scientific, and technological aspects, and guarantee that the expenditures in these three aspects

will be greater than the increase in the total financial expenditures by 2 percentage points or so. Meanwhile, we should appropriately increase the input of funds for industrial technological transformation, collect social financial resources through various channels, actively develop key industries, including cultural, educational, public health, broadcasting, and television industries, and strive to fulfill the 1992 task of renovating the dangerous primary and middle school buildings. 3) Make flexible use of the funds in reserve and raise the utilization effect. To control the spending of administrative funds, we should mainly control the excessive increase in the "per capita administrative spending and the spending on traffic and meetings," comprehensively implement the method of placing the provincial administrative funds under the management of the state, determine the targets for the fixed number of employees and fixed quotas of work, strictly implement the appraisal system, and implement the policy of awarding those that practice economy and punish those that exceed their expenditure quotas. The provincial authorities should continue to promote the method of "managing the finances of prefectures, counties (cities) having the financial status of prefectures and cities, controlling their total administrative funds, managing their fixed amount of administrative funds, award those that practice economy and punish those that exceed the financial quotas" and rationally control the increase of administrative funds. It is necessary to control all sorts of allowances, and cut the portion of allowances increased by raising the allowance standards and expanding the scope. We should also control the institutional purchasing power, make special efforts to strictly control the purchase of the 29 state special-control commodities, and persist in managing things in line with plans. This year the increase in the target of institutional purchasing power at and above the county level must be controlled within 5 percent.

Eighth, we should give priority to promoting the establishment of the self-restraint mechanism in enterprises, institutions, and administrative units, strictly manage financial organs, and strictly observe financial and economic discipline. 1) Strictly implement the self-restraint mechanism among enterprises. In addition to using policies to encourage enterprises to set aside depreciation funds and funds for equipment overhaul and replacement and technical updating in line with stipulations and use them more for self-development and self-accumulation and for intensifying the development momentum, we should also strictly control and prevent the random use of such funds in terms of discipline. 2) Strengthen regular financial supervision. We should do a good job in investigating the previous two years of fiscal financial budgets and final accounts of some cities and counties and funds for carrying out small farmland and water conservancy projects throughout the province. It is necessary to further strengthen management over extra-budgetary funds, expand the savings of special households, perfect the fund utilization and approval system, strive to rationally use budgetary and extra-budgetary

funds, and prevent losses caused by dislocation in management. 3) Strengthen supervision over tax revenue. We should mete out disciplinary sanctions for those who violate the law, evade taxes or refuse to pay taxes and enable enterprises to enhance their self-restraint in paying taxes and profit delivery in line with law. It is necessary to realistically strengthen the tax checking, collection, and investigation work, strengthen supervision over the work, manage taxes in line with law, and increasingly intensify investigation and handling as well as the law enforcement level. 4) Establish and perfect the mechanism to restrict the "random levy of funds, fines, and service charges." We should formulate and implement "regulation" "supervise and manage the fines and confiscations," then the functions of the new fines management at collection stations and service charges collection and management stations at all levels, manage bills in a unified manner, persist in taking both temporary and radical measures, and gradually channel the management of the collection of fares, fines, and funds into a standardized, systematic and legalized orbit. 5) Pay attention to applying joint forces to grasp the centralized general inspection of taxation, finance, and prices. It is necessary to further strengthen the dynamics of inspection, give priority to inspection units, raise inspection quality, and continue to display the mainstay role of the general inspection in financial supervision and investigation. In addition, in this year's financial and economic discipline supervision and inspection work, we should consider stopping the trend of entertaining guests, sending gifts, and lavish dining and wining as one of the important tasks, combine it with the checking of unhealthy trends in various trades and professions, and strive to seek effect in strictly observing financial and economic discipline and in strengthening administrative honesty.

#### Specific Policies for Changchun New-Tech Zone

SK 12040.00692, Changchun Jilin People's Radio Network in Mandarin 10-05 0-117 10 Apr 92

[Excerpt] On 10 April the provincial government worked out eight specific policies on speeding up the construction of the Changchun high and new-tech industrial development zone.

The eight policies are:

1. The provincial-level right to manage and approve the use of land within the development zone should be delegated to Changchun City.
2. The high and new-tech enterprises in the development zone should keep the employment quotas and wage bills under the control of guidance planning and do a good job in macroeconomic control. Simultaneously, these enterprises are allowed to carry out the employment and distribution systems used by the enterprises involving foreign capital. It is necessary to establish the social insurance system in the development zone.

3. High and new-tech enterprises in the development zone have the right to designate specialized and technical posts at various levels.
4. The development zone enjoys the provincial-level rights to examine and approve the foreign economic and technological cooperation projects.
5. The rights to issue business licenses to wholly foreign-funded enterprises and joint ventures in the development zone should be delegated to Changchun city.
6. The procedures for sending personnel to foreign countries should be simplified. The development zone has the right to approve the transfer of personnel to foreign countries.
7. [Words indistinct] enterprises in the development zone should appropriately obtain portions of foreign exchange earnings through exports according to regulations.
8. [Sentence indistinct] (passage omitted)

#### Jilin Communique on Economic Development

SK003090392 Changchun JILIN RIBAO in Chinese  
13 Mar p 2

[Statistical communique of the Jilin Provincial Statistical Bureau on the province's national economic and social development in 1991]

[Text] In 1991, the people of all nationalities in the province, under the correct leadership of the provincial party committee and the provincial government, conscientiously implemented the principles and policies laid down by the CPC Central Committee and the State Council, persistently focused all efforts on economic construction, and worked hard to make progress with one heart and one mind, thus achieving marked results in improving the economic environment and rectifying the economic order. Along with the introduction of various policies and measures on macroeconomic regulation and control formulated by the central authorities and various localities, the society and the economy of the whole province began entering the stage of steady development. Agricultural production witnessed a big bumper harvest despite the relatively grave natural calamities, industrial production picked up steadily despite difficulties, urban and rural markets were flourishing and vivid, foreign export trade showed a substantial increase, commodity prices were basically stable, and a basic balance was maintained between net supply and net demand. New results were achieved in various social undertakings such as science and technology, education, culture, public health, and sports. According to initial statistics, the provincial GNP for the whole year was 42.63 billion yuan, up by 4.0 percent over the previous year, and the national income was 36.37 billion yuan, up by 3.7 percent. Major problems in economic operations were: Economic structure was readjusted slowly, relatively more products were kept in stock for a long time, enterprise deficits increased, and economic efficiency remained low. Thus, the emphasis of economic work should be promptly shifted to the fields of readjusting structure and improving efficiency.

#### I. Agriculture

In 1991, Jilin Province continued to strengthen agriculture, extensively launched the activity of invigorating agriculture through scientific and technological means, increased input in agriculture, positively developed a diverse agricultural economy, readjusted the rural industrial structure, and developed township and town enterprises, thus further developing rural economy. According to initial calculations, the province's total product of the rural society for the whole year was 33.01 billion yuan, up by 4.6 percent over the previous year. Of this figure, the total agricultural output value was 18.84 billion yuan, down by 0.5 percent.

A comprehensive bumper harvest was reaped in crop production despite serious floods, waterlogging, and drought. Although grain output was less than that in the previous year, the annual quota for grain output was overfulfilled, thus making 1991 the year with the second highest grain output. A good harvest was also reaped in such cash crops as sunflower seeds, tobacco, flax, and cultivated ginseng. The output value from all crops for the whole year was 12.94 billion yuan, a decline of 3.6 percent from the previous year.

Output of major agricultural products was as follows.

	1991	Percentage Increase over 1990
Grain	18,988,700 tons	-7.2
Of which: Corn	14,001,300 tons	-8.5
Paddy	3,063,000 tons	5.8
Soybean	716,500 tons	-23.2
Oil-bearing seeds	435,400 tons	-6.8
Of which: Sunflower seeds	357,700 tons	11.2
Bees	1,093,600 tons	-3.9
Flue-cured tobacco	43,800 tons	30.3
Jute/ramie hemp	6,100 tons	39.6
Cultivated ginseng	19,800 tons	3.0
Vegetables	4,299,700 tons	-4.5
Melons (melons used as fruits)	290,000 tons	0.3

Forestry production scored new achievements. The province planted 136,000 hectare of trees in the year, a 13.3 percent increase over 1990. It realized 440 million yuan in forestry output value for the year, a 1.3 percent increase over 1990. The province as a whole scored tremendous achievements in planting trees in 1991 while celebrating the 10th anniversary of the all-people voluntary afforestation campaign. The afforestation projects of building the "three north" shelter belts, greening the plain, and building the bases of fast-growth and timber forests achieved smooth progress. The province also scored good achievements in preventing forest fires over the past 11 consecutive years.

The production of animal husbandry achieved stable development. The major animal by-products of meat, eggs, and milk continued to increase and the number of hogs and large animals showed a sustained increase. The province realized 4.51 billion yuan in animal husbandry output value for the year, an 8.8 percent increase over 1990.

Following is the output of major animal by-products and the amount of livestock:

	1991	percentage increase over 1990
Pork, beef, mutton	467,000 tons	7.8
Of which pork	406,600 tons	4.9
beef	49,300 tons	33.3
Milk	122,600 tons	4.6
Poultry and eggs	274,400 tons	9.8
Sheep wool	9,124 tons	7.5
Number of meat hogs	4,433,500 head	5.7
Number of large animals at year end	3,183,500 head	3.1
Of which: cattle	1,991,000 head	5.7
hogs	5,226,100 head	3.0
sheep	2,286,900 head	-2.1

Fresh water planting and breeding undertakings achieved stable development. The output of aquatic products in the year reached 79,000 tons, a 10.9 percent increase over 1990. The fisheries output value was 310 million yuan, a 10.8 percent increase over 1990.

Agricultural production conditions continued to improve. By the end of 1991, the total power of farm machines owned by the province reached 5.88 billion watts. The province had 38,000 large- and medium-sized tractors and 192,000 small and manually operated tractors, an increase of 5,775 tractors over the same period of 1990. There were 41,000 machine-driven large- and medium-sized farming tools, a 3,228 tool increase over 1990. 6,922 trucks, and water draining and irrigating machines' total power reached 1.09 billion watt. The acreage of farmland successfully cultivated by farm machines during the year reached 1.861 million hectares, a 3.2 percent increase over 1990. The power consumption of rural villages reached 1.82 billion kWh, an 8.3 percent increase over 1990. The annual fertilizer consumption (100 percent effective content equivalent) was 916,000 tons, an 8.2 percent increase over 1990. The agricultural comprehensive development scored marked achievements. The first-phase project of developing the Song-Liao plain passed the acceptance test smoothly and the second-phase project began. Achievements scored in the "year" of boosting water conservancy works were consolidated and developed. The number of laborers

who joined in the operation of building water conservancy works during the year reached 120 million, they accomplished 270 million cubic meters of work moving earth.

The development of the commodity economy in agriculture and non-agricultural industries in rural areas was accelerated. The annual output value of agricultural commodities reached 12.06 billion yuan and the marketable rate of agricultural commodities reached 64 percent, a 1.5 percentage point increase over 1990. According to preliminary statistics, the annual output value of rural industries and of construction, transportation, commerce, and food service enterprises may reach 14.17 billion yuan, an 11 percent increase over 1990. The proportion of the total output value in this regard accounts for 42.9 percent of the total product of the rural society.

Major problems cropping up in the course of developing agriculture include the agricultural structure being insufficiently rational, the proportion of the diversified economy in agricultural and non-agricultural industries in rural areas being on the lower side, economic results as a whole not being ideal, the socialized service system in rural areas not being perfect, and the service function being poorer.

## 2. Industry

In 1991, the provincial party committee and government regarded it their major task to make utmost efforts to bring about a fundamental turn for the better in the industrial sector of the economy. They studied and formulated a series of policies and measures for invigorating enterprises, enlivening the economy, and promoting industrial development, and conscientiously carried out the activities of the "quality, variety, and efficiency year." Thanks to painstaking efforts, industrial production grew steadily, improvement came about in the operation of the industrial sector of the economy, and large- and medium-sized state enterprises were invigorated. The annual industrial output value was 61.56 billion yuan, up 5.3 percent from the preceding year. The industrial output value of the enterprises at and above the township level (excluding those run by urban neighborhoods and individuals and those at and below the village level in rural areas) was 55.44 billion yuan, up 6.3 percent. In the total industrial output value, the output value of the state sector was 44.22 billion yuan, up 6.1 percent from the preceding year; that of the collective sector 13.33 billion yuan, up 5.2 percent; and that of other sectors 4.01 billion yuan, down 2.5 percent. Industrial growth normalized and became compatible with current economic conditions.

Pulled by the demand for investment, the production of heavy industry grew faster than that of light industry. The annual output value of heavy industry amounted to 36.57 billion yuan, up 7.1 percent from the preceding year; and that of light industry 24.99 billion yuan, up 2.8 percent. Notable results were achieved in the adjustment

of product diversity. The production of energy resources and basic raw materials, electric and machinery products for investment purposes, and readily marketable light industrial and textile goods, industrial goods for daily use, and durable consumer goods maintained steady growth, and the production of unsellable, high-priced shoddy goods was limited to reduce stockpiles. However, industrial restructuring proceeded slowly, and the irrational structure had yet to be fundamentally changed.

The output of major industrial products was as follows:

	1991	percentage increase over 1990
Cloth	191 million meters	-3.6
Chemical fibers	31,000 tons	1.1
Woolen fabrics	6.36 million meters	-4.8
Machine-made paper and paperboard	598,500 tons	5.7
Beverage wine	624,200 tons	14.6
Cigarettes	626,400 boxes	-2.0
Sugar	92,100 tons	58.4
Synthetic detergents	20,000 tons	-42.9
Bicycles	265,300	-7.5
Wrist watches	1,207,200	-11.2
Television sets	214,400	-25.3
Of which: color sets	112,200	-5.7
Household washing machines	287,100	-1.1
Plastic products	71,500 tons	15.2
Total nonrenewable energy production (standard coal equivalent)	25,234,200 tons	-0.8
Raw coal	24,616,700 tons	-4.1
Crude oil	3,423 million tons	-4.0
Crude oil refined	4,067,700 tons	-1.3
Electricity	19,949 billion kilowatt hours	14.7
Of which: Hydro-electricity	6,434 billion kilowatt hours	40.6
Rolled steel	698,400 tons	7.7
Ferroalloy	223,900 tons	-18.4
Timber	3.29 million cubic meters	-9.4
Plate glass	1,927,600 weight cases	18.5
Cement	4,694,200 tons	25.8
Sulfuric acid	109,200 tons	-2.1
Soda ash	9,732 tons	-51.6
Caustic soda	86,000 tons	-1.9
Synthetic ammonia	474,600 tons	-0.1

	1991	percentage increase over 1990
Chemical fertilizer (100 percent effective composition)	290,700 tons	-1.1
Calcium carbide	94,800 tons	-7.8
Plastics	57,100 tons	14.9
Outer tires	1,083,900	29.1
Metal-cutting machine tools	1,129	12.8
Automobiles	92,500	26.1
Tractors	3,167	7.6
Small tractors	63,500	53.2
Passenger trains	811	-16.0

Product quality improved. The output value of quality products reached 17.49 billion yuan during the year, up 8.1 percent over the previous year, and the rate of output value of quality products reached 33.3 percent, up 2.8 percentage points over the previous year.

Enterprise reform was further developed. To further invigorate large- and medium-sized state enterprises and to expand the main socialist economic sector, Jilin Province took the lead in trying out the system of giving full autonomy over management to 30 enterprises, and made an important step in changing enterprise mechanism.

Although the economic situation improved in 1991, the difficulties of "debt chains," and the funds tied up by finished products were noticeably alleviated, and the per-capita labor productivity of state enterprises exercising independent accounting increased 3.9 percent over the previous year, the decline of efficiency continued unchecked. Based on initial statistics, in 1991, the profits and taxes created by local budgetary industrial enterprises across the province reached 1.86 billion yuan, a decline of 10.5 percent from the previous year, of which the profits created dropped by 45.5 percent, the deficits of enterprises running in the red reached 660 million yuan, up 16.1 percent; the profits and taxes created by the use of every 100 yuan of funds dropped from 9.41 yuan in the previous year to 7.72 yuan; the cost of comparable products continued to rise.

### 3. Communications, Transport, Post and Telecommunications Work

Communications and transport steadily developed. The fulfillment of the major task of transporting materials was successful, which provided a guarantee for economic development and the supply of daily necessities essential for the people's life.

The volume of transportation by various means was as follows:

	1991	percentage increase over the previous year
Volume of freight transport	45,028 billion ton-km	3.6
Railway	38,760 billion ton-km	2.4
Highway	6,148 billion ton-km	12.2
Waterway	120 million ton-km	-9.6
Volume of passenger transport	15,511 billion person-km	4.9
Railway	10,623 billion person-km	1.9
Highway	4,878 billion person-km	12.1
Waterway	8 million person-km	11.1

Civil aviation developed rapidly. By the end of the year, 19 air routes had been opened, and the total length of air routes reached 29,000 km. The completed passenger transport volume of the year totaled 212,000 persons, up 37.7 percent over the previous year.

Posts and telecommunications service developed rapidly, with the business transactions totaling 510 million yuan, up 23.7 percent over the previous year if the price hike factor was excluded. By the end of the year, the installed telephone capacity across the province reached 465,000 lines, up 18.9 percent over the year-end figure of the previous year. The urban telephone subscribers reached 250,000, up 23.2 percent over the year-end figure of the previous year.

#### 4. Investment in Fixed Assets and Construction

In 1991, under the premise of controlling overall supply and demand, the state continued to increase investments. The whole province's investment in fixed assets began to pick up, which played an active role in promoting steady economic growth. The completed social investment in fixed assets during the year reached 11.38 billion yuan, up 21.7 percent over the previous year. Of this, the investment in local fixed assets was 8.46 billion yuan, up 22.1 percent over the previous year. Of the total investment, the investment in state units was 8.20 billion yuan, up 22.6 percent over the previous year; that in collective units, 610 million yuan, up 120 percent; and that in urban and rural individual units, 2.57 billion yuan, up 8.4 percent. The number of projects under construction increased. There were 2,040 projects on capital construction and equipment replacement and technical updating invested by state units during the year, up 71 over the previous year, of which 376 projects were initiated this year.

Through readjustment, the investment structure tended to be reasonable and the investment of key departments was strengthened. State units invested 3.91 billion yuan in capital

construction, an increase of 34.2 percent over the preceding year. Of this, the investment in energy resources reached 1.18 billion yuan, an increase of 12.1 percent, and that in scientific research reached 26.75 million yuan, an increase of 5.8 percent. The proportion of investment in productive projects rose from 67.7 percent in 1990 to 68.9 percent. The proportion of investment in nonproductive projects was reduced from 32.3 percent to 31.1 percent. The investment in equipment renewal and technological transformation totaled 2.35 billion yuan, an increase of 4.2 percent. Enterprises increased investment in expanding production with science and technology, the investment in increasing product varieties increased 48.4 percent, and the investment in upgrading product quality increased 31.1 percent.

The construction of key projects was accelerated, and a group of projects was completed and brought results. There were 21 large- and medium-sized capital construction projects covered in the state and provincial plans. The investment in these projects totaled 1.83 billion yuan during the year, accounting for 97.3 percent of the total. There were 25 above-norm equipment renewal and technological transformation projects with an investment of 720 million yuan. Two large- and medium-sized capital construction projects and six above-norm equipment renewal and technological transformation projects were completed during the year. Some key projects were completed during the year. They were the No. 2 Changchun thermal power plant, Lushuihe polished board plant, the second-phase project of Baishan hydropower station, the expansion project of Jilin Fengman power plant, the first-phase project of Changshan chemical fertilizer plant, Lishu County paper mill, and the expansion project of Tonghua wine company.

In 1991, the state units across the province made investments to complete 1,328 capital construction, equipment renewal, and technological transformation projects and added 4.65 billion yuan worth of fixed assets. Among the key projects that were completed in 1991 were 150,000 tons of coal mining capacity; 585,000 kilowatts of power generation capacity, including 385,000 kilowatts of hydropower generation capacity; 20,000 cubic meters of timber cutting and transportation capacity; 3,450 tons of machine-made paper and paper board; 50,000 cubic meters of polished board; 14,000 lines of urban telephone switchboards, and 40,000 tons of soda ash.

Major problems existing in the construction spheres were: There was a fair amount of new capital construction projects; small-sized ones accounted for a large proportion. Investment in equipment renewal and technological transformation projects accounted for a lower proportion of the total investment. There was not sufficient investment in enterprise technological transformation and there were difficulties in collecting funds. All this is not conducive to readjusting the economic structure and enhancing economic reserves.

The building industry comprehensively increased production and economic results. In 1991, the output value realized by the local state-owned building and installation enterprises reached 2.57 billion yuan, an increase of 27.5 percent. Construction projects measuring 7,496 million square meters were completed during the year.

an increase of 21.7 percent. The per capita labor productivity was 14,114 yuan, an increase of 13 percent. The number of money-losing enterprises was reduced. But, the situation of being behind in construction charges was serious. Their economic results were not ideal.

New achievements were made in geological exploration. Eleven major mining areas were newly discovered and explored during the year and two mining areas underwent detailed surveys. The proven deposits of one mineral increased. Geological drilling and prospecting footage reached 80,000 meters during the year, exceeding the yearly plan by 23.1 percent. Prospecting for petroleum and natural gas was progressing smoothly. A medium-sized carbon dioxide gas field [er yang hua tan qi tian 0059 8638 9553 8955 3049 3944] was verified and reports on a group of proven fields were submitted to higher levels.

### 5. Domestic Trade

In 1991 the province as a whole positively invigorated and expanded markets, paid special attention to implementing policies on marketing, strengthened the sales of local products, and gave full play to the role of state-run cooperative commerce as the main channel and "reservoir" of marketing, thus improving relations between supply and marketing and making market sales gradually shift from sluggishness to normal growth. In 1991 the province's total value of retail sales was 25.53 billion yuan, up by 13.3 percent over the previous year, or an actual increase of 7.8 percent if commodity price factor is deducted. In terms of the commodities of different uses, the retail sales of consumer goods were 22.37 billion yuan, up by 12.4 percent over the previous year. Of this, the value of commodities sold to institutions was 2.38 billion yuan, up by 20.8 percent, and the retail sales of the means of agricultural production were 3.17 billion yuan, up by 19.4 percent. In terms of the commodities of different economic categories, the retail sales volume of the state-owned units were 10.63 billion yuan, up by 16.6 percent over the previous year; that of collective units was 7.1 billion yuan, up by 1 percent; and that of the units of other forms of ownership was 7.81 billion yuan, up by 21.9 percent. In terms of major commodities, sales volume of grain, edible plant oil, hogs and pork, fresh eggs, chemical fiber cloth, and television sets showed a certain increase over the previous year, while that of sugar, cotton cloth, bicycles, tape recorders, electric fans, and washing machines dropped by varying degrees.

The economic efficiency of commercial departments was not good enough. In 1991, profits generated by the sections of the provincial commercial department was 44.7 million yuan, down by 34.8 percent from the previous year. The deficits incurred by unprofitable enterprises amounted to 94.18 million yuan, up by 19.2 percent.

Marketing of the means of production was brisk in both buying and selling and tended toward normal development. In 1991, goods and materials departments

throughout the province purchased 4.25 billion yuan worth of means of production, up by 16.1 percent over the previous year, and sold 4.71 billion yuan worth of means of production, up by 16.3 percent. In 1991, sales volume of rolled steel, cement, electrical and mechanical equipment, and vehicles rose by 29 percent or more. By the end of 1991, there were 33 production means trading centers in the province, with their sales volume reaching 290 million yuan, up by 26.1 percent over the end of 1990.

Commodity prices were basically stable. In 1991, the state and the province set forth several measures concerning price readjustment, specifically readjusting the marketing prices of the fairly priced food grains and oil by a relatively large margin, and completely decontrolling the prices of vegetables and hogs, with their prices being completely subject to market regulation. Thanks to the relatively good situation in the balance between supply and demand, commodity prices were basically stable. In 1991, the general level of retail prices rose by 5.1 percent over the previous year, the second lowest level since 1987. The level of retail sales in urban areas rose by 5.5 percent, and that in rural areas rose by 4.7 percent. Major problems in this regard were: First, the increased scale of costs of living of the residents in large- and medium-sized cities was relatively high, showing an increase of 7.5 percent over the previous year. Second, owing to the decline in the purchase prices of agricultural and sideline products and owing to the stable increase in the prices of rural industrial products, the price scissors of industrial and agricultural commodities continued to expand, thus preventing the enhancement of peasants' income.

The changes in prices of commodities and services were as follows:

	Average price increase for 1991 (percent)	Urban areas
Consumer goods	5.1	5.5
Food	4.7	4.9
Grain	5.6	5.5
Meat, poultry, eggs	-3.6	-3.7
Fresh vegetables	15.6	15.6
Aquatic products	-0.2	-0.2
Clothing	3.0	4.8
Articles for daily use	3.0	3.0
Goods for cultural and recreation purposes	-3.2	-3.2
Books, newspapers, magazines	0.5	0.4
Medicine and medical goods	3.0	2.4
Building materials	1.9	1.6
Furs	49.4	52.1
Means of agricultural production services	23.4	23.9

The general cost of living for urban and rural residents across the province during the year, including the consumer goods for living and service charges, rose by 6.8 percent over the previous year. Of this, the cost of living for urban staff and workers increased 7.1 percent over the previous year, and that of peasants in the rural areas, 5.2 percent.

#### 6. Foreign Economic Relations and Trade and Tourism

In 1991, foreign trade enterprises across the province achieved considerable progress after the implementation of the new system of assuming sole responsibility for profits and losses, and made good achievements in overfulfilling the plan of earning foreign exchange through export and in surpassing the best historical record and the national average level of increase. Based on statistics released by customs, the total import and export trade volume during the year reached \$1.37 billion, up 23.6 percent over the previous year. Of this, the foreign exchange earnings from exports was \$1.01 billion yuan, up 27.2 percent over the previous year; and the total volume of imports during the year was valued at \$360 million, up 14.7 percent over the previous year. Small border trade and regional border trade also developed rapidly, with the annual import and export volume reaching \$91.84 million.

The utilization of foreign capital increased by a large margin. In 1991, the province as a whole approved 121 new "joint, cooperative, and foreign-funded" enterprises, and used \$160 million, up 170 percent over the previous year. Rapid progress was made in some key foreign capital utilization projects during the Eighth Five-Year Plan period. For example, the pre-phase work of the 300,000-ethylene project of Jilin Chemical Industrial Company is in full swing. The contracted sum of overseas projects and cooperative labor services during the year totaled \$75.60 million, up 180 percent over the previous year, and the export of labor services topped 10,000 people.

Tourism continued to develop. In 1991, 62,000 overseas tourists came to our province for sightseeing, visiting relatives, and other activities, up 34.8 percent over the previous year. A total of \$8.59 million in foreign exchange was earned through tourism during the year, up 40.8 percent over the previous year.

#### 7. Science and Technology

New achievements were made in scientific and technological work. During the year, the province made 574 scientific and technological findings, 22 of which won state awards. Of these, 16 won the state award for progress in science and technology, one won the state natural science award, and five won the state Spark Plan award; and 134 won provincial awards. During the year, 546 patent applications were approved by the state.

With the unceasing development of the reform of the scientific and technological system, science and technology were integrated more closely with the economy.

During the year, 380 scientific and technological findings were popularized and applied. The combination of science and technology with industrial production promoted the readjustment of product mix and spurred the technological progress of enterprises and the comprehensive development of natural resources. A total of 2,100 varieties of new products were developed and put into production during the year, creating 1.95 billion yuan in output value and 360 million yuan in profits and taxes. Enterprises, institutions of higher learning, and scientific research organs maintained closer ties day after day, and 332 budgetary state industrial enterprises developed exchanges with counterpart institutions of higher learning and scientific research organs. Through these exchanges, 436 scientific and technological findings were transferred to enterprises, and 169 technological development items were organized.

The number of scientific and technical personnel continued to grow. By the end of 1991, there were 706,000 professionals and technicians working in local state enterprises across the province, 94,000 more than the year-end figure of the previous year. Mass scientific and technological activities were also developed.

Enterprise technological development work was further strengthened. By the end of 1991, there were 249 specialized technological development organs in large- and medium-sized state enterprises across the province, an increase of 16 over the previous year, with 19,000 personnel engaged in technological development work. A total of 1,317 technological development items were organized, an increase of 415 over the previous year.

New progress was made in scientific and technical services. During the year, 5,268 technological contracts of various descriptions were signed, and the transaction volume reached 230 million yuan, an increase of 89.2 percent over the previous year. By the end of the year, the whole province had 1,319 technological development, consulting, and service organs of various sorts and had established one provincial-level, seven prefectural-level, and 46 county-level weather and disaster monitoring and forecasting systems and 16 manned seismological stations, all of which gave fairly prompt and accurate forecasts. The topographical departments drew 3,463.5 charts in 12 projects and published four kinds of maps and pamphlets on tourism, communications, and the present land utilization system.

#### 8. Education and Culture

In educational work, we strengthened the nine-year compulsory education, persisted in enrolling students into institutions of higher learning and secondary specialized schools in line with needs, and trained personnel badly needed for economic construction. In 1991, the whole province enrolled 1,342 postgraduate students, of whom 152 were studying for doctorates and 1,190 were

studying for masters' degrees. In 1991, 3,993 postgraduates were studying in schools and 1,497 postgraduates graduated. Among the postgraduates in schools, 480 were studying for doctorates. A total of 123 postgraduates earned their doctorates. There were 3,515 postgraduates studying for masters' degrees in schools, and 1,306 postgraduates of this category received their masters' degrees. By the end of 1991, the whole province had 42 regular institutions of higher learning, which enrolled 22,000 students into regular and specialized courses, an increase of 2.4 percent over the previous year; moreover, there were 70,000 students in schools, a decline of 4 percent from the previous year.

Progress was made in readjusting the record of educating adults, and all sorts of on-the-job training were vigorously developed. In 1991, institutions of higher learning for adults enrolled 17,000 students into regular and specialized courses, a decline of 9.7 percent from the previous year; there were 39,000 adult students in schools, a decline of 5.8 percent from the previous year.

Secondary vocational and technical education developed steadily. At the end of 1991, ordinary senior high schools, secondary specialized schools, vocational schools, and skilled worker schools had 443,000 students, of whom 56.8 percent were students at secondary vocational and technical schools. Adult secondary specialized schools had 38,000 students, down 17,000 from the preceding year, and adult technical training schools had 1.141 million students, up 502,000.

Compulsory education was made more universal. At the end of 1991, junior high schools had 1.062 million students, up 4.7 percent from the preceding year; and primary schools had 2.672 million students, down 3.2 percent. A total of 98.8 percent of school-age children attended primary schools, and the percentage was slightly higher than the preceding year. A total of 90.1 percent of primary school graduates entered schools of a higher grade, showing an increase of 4.7 percentage points. The province had 2,536 nurseries and kindergartens, which accommodated 453,000 children, up 5.8 percent from the preceding year.

Cultural and art work developed vigorously. In 1991, Jilin Province formulated a set of comprehensive cultural and economic policies for the first time since the founding of the country, which were transmitted to various localities by the Ministry of Culture. Meanwhile, it drew up measures for strengthening rural cultural undertakings, thus further making its cultural and art work flourish. In the first national activity to present the "cultural award," the highest award for performing art, "Chun Xiang" and three other plays and 20 artists of Jilin Province won 17 awards, making the province rank first in the country in both the number of major awards and the number of all awards.

The Changchun Film Studio produced 22 feature films in the year, of which one was produced jointly with other units, four cartoons, puppet films, etc., and 10 dubbed

films. Its color feature film "Big City 1990" won the state award for outstanding feature film presented by the Ministry of Radio, Film, and Television and the special Golden Rooster Award for Chinese films. The province produced 14 television dramas in 108 episodes and 48 radio dramas in 129 episodes. The special television film "My Home is in Xianghai" produced by the provincial television station won the Chairman's Special Award, the National Qualification Award, and the Female Special Award at Italy's Sangdieu (2718 6611 2962) International Living Being Protection Film Festival. Movie distributing units released 182 new (or long) films in the year. At the end of the year, the province had 73 art performing groups, which had staged 12,000 performances for an audience of 11.863 million. The province had 64 theaters, 1,057 culture and art centers (stations), 49 public libraries, 16 museums, 93 archives, 21 radio stations, 33 radio transmission and relay stations, 32 television stations, and 60 television transmission and relay stations each with a capacity of over 1,000 watts. The province's radio coverage reached 84.3 percent and television coverage 79.9 percent. It had 4,660 film-projection units of various types, which presented 502,000 shows in the year for an audience of 160 million. Thirty-nine local newspapers were published and 310 million copies distributed, and 47.6 million copies of magazines and 140 million copies of books and pictures were published.

#### 9. Public Health and Sports

New headway was made in public health undertakings, and further improvement was made in medical conditions. By the end of 1991, the province had 4,369 medical units, employing 124,000 full-time health and technical workers, up by 3.6 percent over the end of 1990. Of these workers, 51,000 were doctors (including 37,000 senior doctors of Western medicine), up by 2.2 percent, and 36,000 were senior nurses and nurses, up by 6.1 percent. At the same time, there were 84,000 hospital beds in the province, up by 0.7 percent. By constantly applying clinical experiences for new technology and new facilities, the medical level and quality continued to improve. In 1991, six medical scientific research achievements in the province won the scientific and technological progress prizes issued by the Ministry of Public Health, and 16 achievements won the scientific and technological progress prizes issued by the province. The rural public health undertakings headed by the primary health care service developed further, and the inoculation planning won first place at the 1991 national appraisal.

In sports, the province made marked results by implementing the strategy of coordinating the development of mass and competitive sports. In 1991, Jilin Province's athletes won seven gold medals, 2-5 silver medals, and four bronze medals in world contests, and 19 athletes set records among the top eight places. The province's athletes also won 3-5 gold medals and four bronze medals in Asian contests. In national contests, the province's athletes won 53 gold medals, 47 silver medals, and

55 bronze medals. Meanwhile, five athletes broke seven world records on nine occasions and attained one world record, and four athletes broke seven national records on seven occasions.

Mass sports activities developed vigorously. In 1991, a total of 9.87 million people in the province frequently participated in physical exercise. Sports events at schools were extremely brisk. A total of 2.482 million students in the province reached the "national standards for physical exercise," and seven cities and counties were chosen as advanced counties in sports. At the fourth national sports games for the minority nationalities, Jilin teams ranked fourth in the country in the number of gold medals and won first prize in performances.

#### 10. Standard of Living

In 1991, the total amount of wages for staff and workers was 10.64 billion yuan, up 11.8 percent; the per-capita cash wage of staff and workers was 2,016 yuan, up 6.8 percent, or basically equal to the figure of the previous year if price hikes are excluded. According to a sample survey, in 1991 the per-capita cash income of urban residents that could be used for living expenses was 1,299.20 yuan, up by 11.7 percent over the previous year, or a real increase of 4.5 percent if price hikes are excluded. Affected by the relatively serious natural calamities to agriculture, the income of farmers declined from the previous year's figure. In 1991, the per-capita net income of farmers was 748.33 yuan, a drop of 6.9 percent from the previous year, or a real decline of 10.2 percent if the factor of price hikes of commodity expenditures is deducted.

Urban employment continued to increase. In 1991, some 126,000 urban residents were given jobs. By the end of 1991, the number of staff and workers in the province was 5.333 million, 160,000 more than at the end of 1990. Of them, the number of staff and workers employed by state units on a contract basis was 456,000, 60,000 more than that at the end of 1990. By the end of 1991, the self-employed workers in urban areas numbered 323,000, an increase of 28,000 people.

More and more people participated in the social old-age insurance and unemployment insurance. In 1991, the province began to make overall planning for retirement funds. A total of 13,000 enterprises participated in the social old-age insurance to cover 2.339 million incumbent and retired workers, and 12,000 enterprises participated in the unemployment insurance to cover 2.36 million workers.

Urban and rural savings deposits increased substantially. By the end of 1991, the value of the people's savings deposits totaled 23.67 billion yuan, up 29.2 percent, or 5.84 billion yuan, from the year-end figure of 1990.

Urban and rural people's housing conditions continued to improve. For the year, the province built 5.576 million square meters of new houses in urban areas and 3.935 million square meters of new housing in rural

areas. By the end of the year, urban people's per-capita living space grew from 5.6 square meters the preceding year to 5.9 square meters, and the rural people's per-capita living space from 13.42 square meters to 13.87 square meters.

Social welfare developed continuously. By the end of 1991, there were 930 welfare institutions (including town and township old people's housing) in the province, which had 42,000 beds and accommodated 32,000 people. Rural collectives supported 46,000 scattered orphans and old and disabled people. In urban and rural areas, 351,000 people in need received relief funds from the state.

Insurance services expanded continuously. In 1991, insurance departments opened 24 new insurance programs and expanded insurance services. The total assets of various domestic insurance properties reached 90.1 billion yuan, up 20.5 percent from the preceding year. A total of 22,000 enterprises and 2.39 million households throughout the province participated in property insurance, and 4.39 million persons participated in life insurance. For the year, insurance companies handled 100,000 domestic claims for property losses and paid out 170 million yuan for settled cases. They also paid 130 million yuan to 260,000 persons as reparations in life insurance programs.

#### 11. Population

According to sample surveys on changes in population, the province's 1991 birth rate was 17.09 per thousand, death rate 6.84 per thousand, and natural population growth 10.25 per thousand. The year-end population was estimated at 25,086 million, an increase of 246,000 over the 1990 year-end figure. Thanks to the intensive family planning work, births were 49,000 fewer than as estimated in 1991.

Footnote: 1) GNP, national income, and absolute figures of various output value quoted in this communiqué are at current prices for the year, whereas growth rates are calculated at comparable prices.

2) In the per-capita net income of rural people, the prices of the products produced and used by the peasants themselves, which were calculated based on state prices in the past, are calculated based on the average prices of contracted purchases. Calculated according to this new method, the 1990 per-capita net income of rural people was 803.52 yuan.

3) Some figures in the communiqué are statistics of annual bulletin.

#### Liaoning's Four SEZs Set Preferential Policies

SA 1504152802 Shenyang Liaoning People's Radio Network in Mandarin 1030 GMT 11 Apr 92

[Text] The Liaoyang city party committee and the city government announced on 11 April that (Hongwan).

(Dongjingling), (Liu'erbu), and (Tuerbu) special economic zones and (Hongwei) high and new-tech industrial development zone will carry out more preferential policies than other special economic zones in the country.

These four special economic zones and a high and new-tech industrial development zone are exempt from product tax, value-added tax, and business tax for six months, enjoy exemption of income tax for five years, have free use of various auxiliary facilities in requisitioning land, and exercise, to varying degrees, city-level or county-level management authority. Regarding the management of labor, personnel affairs, industry and commerce, public order, and registered permanent residence, they are allowed to implement the policies in relations with the country's special economic zones. Their managerial organs should be small in number but highly trained and should stress high efficiency. Each should establish a department. Development projects should be examined and approved.

(Hongwei), (Dongjingling), and (Liu'erbu) special economic zones are established with the assistance of Liaoyang petrochemical fiber corporation, (Shunyang) chemical industrial plant, and Anshan Iron and Steel Corporation. (Tuerbu) is established with the city's achievements in pioneering the leather jacket and clothing markets in the past two years. (Hongwei) high and new-tech industrial development zone will develop the second-phase project of Liaoyang petrochemical industrial corporation. The development zone has now basically taken shape and its investment environment is being improved.

#### Liaoning Government Analyzes Economic Situation

SA 1004024792 Shenyang Liaoning People's Radio Network in Mandarin 1030 GMT 25 Apr 92

[Text] The provincial people's government sponsored a meeting in the city of Shenyang on 25 April to analyse the province's economic situation. During the meeting, the participants emphatically analyzed the province's industrial production situation since the beginning of this year. The province's industrial production has been improved since the beginning of this year and the province's heavy industrial production has shown a large-scale increase. Increases in the machine-building, metallurgical, chemical, petroleum processing, and building materials industries have been relatively prominent. Foreign exchange earned from exports have also shown a large-scale increase. The economic slump in industrial production throughout the province has been halted. However, compared with the national economic situation and particularly with that of the three provinces and municipality of Guangdong, Shanghai, Jiangsu, and Shandong, the province's economic situation warrants no optimism. By the end of March this year, the province's major industrial economic targets and the increased scale of incomes were below 10th place in the country or even in the last few places. The

increased scale of production ranked the province 23th in the country, the province ranked 10th in the volume of profits earned in the period and first in the volume of losses. Judging from the first quarter's situation, various and deep-rooted contradictions hindering the province's economic development still exist and the province did not noticeably change the economic slump as a whole. The amount of funds tied up by three particular reasons and particularly tied up by finished products was high and showed no decline. The phenomenon of overstocking in the course of production still existed. The current debt chain volume throughout the province reached 24.4 billion yuan and has intensified the contradiction in the fund shortage. Except for the city of Panjin, 13 other cities across the province have a deficit after balancing profits and losses.

During the meeting, the participants offered measures and opinions for changing the province's unfavorable economic situation and accelerating economic development.

Wen Shuzhen, provincial executive vice governor, and Guo Tinghuan, provincial vice governor, attended the meeting and delivered speeches on making new arrangements for the economic work.

Wen Shuzhen pointed out in his speech that the most important tasks at present are to truly grasp the work, to do practical deeds, and to implement in a down-to-earth manner the measures of conducting reform and changing losses into profits.

Receiving criticism at the meeting were five enterprises whose losses have surpassed 5 million yuan since the beginning of this year, including the Yingkou paper mill, the Shenyang tractor plant, the Dalian crane plant, the Dalian heavy machinery plant, and the Dalian chemical industrial corporation.

#### Shandong Statistical Communique for 1991

SA 1010121109 Jinan DAZHONG RIBAO in Chinese 21 Feb 92 p 2

[*"Statistical Communique on Shandong's 1991 Economic and Social Development," released by the Shandong Provincial Statistical Bureau*]

[Text] In 1991, the first year for implementing the Eighth Five-Year Plan, Shandong conscientiously implemented the guidelines of the seventh and eighth plenary sessions of the 13th Party Central Committee and the central work conference and, focusing on the central task of economic construction, adhered to the four cardinal principles, greatly promoted reform and opening up, extensively launched the activities for the "quality, variety, and efficiency year," and achieved sustained and stable development in the economy and various social undertakings. The major targets of the economic improvement and rectification were attained as an all-round bumper harvest was reaped in agriculture, the industry grew steadily, economic efficiency picked up

gradually, market supplies were ample, and commodity prices were by and large stable. According to preliminary calculations, the total product of society was 391.7 billion yuan in 1991, up 14.4 percent from the preceding year; the GNP 156.6 billion yuan, up 9.8 percent; the national income 136 billion yuan, up 10.4 percent; and total supply and total demand remained by and large balanced. Conspicuous problems in economic activities were stockpiles of products, low economic efficiency, the irrational structure of the products in stock, and imbalanced relationship among some major branches of the economy. These problems should be solved gradually in the process of deepening reform.

### 1. Agriculture

In 1991, Shandong made continuous efforts to stabilize and improve rural economic policies, attached great importance to "developing agriculture through science and technology," increased agricultural investment from various channels, and carried out farmland water conservancy projects, thus bringing about a bumper harvest in agricultural production and comprehensive development in farming, forestry, animal husbandry, sideline production, and fisheries. The province's agricultural output value totaled 76.2 billion yuan, up 12.7 percent from the preceding year.

The production of major farm products grew substantially. Grain production hit an all-time record, with output totaling 39.169 million tons, up 9.7 percent from the preceding year. Cotton production increased by a fairly large margin, with output totaling 1.35 million tons, up 31.5 percent. Despite a decrease in the areas sown to oil-bearing crops, the output of oil-bearing crops came to 2.31 million tons, up 9.9 percent. The output of both cotton and oil-bearing crops was the second highest in our history. The output of fruits, vegetables, and silkworm cocoons increased by a fairly large margin, and that of flue-cured tobacco and jute and bluish dogbane declined.

The output of major farm products was as follows: (unit: 10,000 tons)

	1991	percentage increase over 1990
Grain	3916.94	9.7
Of which: wheat	1889.02	13.7
Cotton	135.08	31.5
Oil-bearing crops	231.07	9.9
Of which: peanut	231.08	10.1
Flue-cured tobacco	19.40	-4.3
Jute and bluish dogbane	1.81	-18.7
Vegetables	1902.79	7.3
Silkworm cocoons	2.22	37.0
Fruits	281.57	14.3

Afforestation made new headway. All localities continued to carry out afforestation projects and improved the multi-form forestry production responsibility system to further improve afforestation quality. The province afforested 167,200 hectares of land, up 33.6 percent from the preceding year, and its output of dry fruit totaled 21,356 tons, up 22.7 percent.

Animal husbandry production developed steadily, with 21,083 million head of pigs slaughtered, and the number of pigs in stock totaling 19,216 million head. The production of other animal products, the number of animals slaughtered, and the number of animals in stock all showed increases to varying degrees.

The output of major animal products and livestock inventories were as follows:

	1991	percentage increase over 1990
Meat output	2,614 million tons	17.0
Of which: pork	1,688 million tons	9.8
Beef and mutton	385,000 tons	14.8
Milk	82,000 tons	17.1
Eggs	1,568 million tons	26.7
Pigs slaughtered	21,083 million head	8.9
Year-end number of draught animals in stock	7,749 million head	6.8
Year-end number of pigs in stock	19,216 million head	6.2
Year-end number of sheep in stock	21,611 million head	4.1

The development of fisheries was fairly rapid. An all-time record was created in the output of aquatic products, with the total output reaching 1,981 million tons, an increase of 18.0 percent. Of this, the output of marine aquatic products was 1,779 million tons, an increase of 16.8 percent, and that of fresh-water aquatic products, 202,000 tons, an increase of 29.6 percent.

The agricultural infrastructure facilities were strengthened, and the production conditions improved. The total power capacity of farm machinery by the end of the year reached 33,047 million kilowatts, an increase of 2.8 percent over the previous year. There were 664,600 tractors for farming use, an increase of 3.8 percent; the total power capacity of agricultural irrigation and drainage equipment reached 13,467 million kilowatts, up 2.8 percent; the rural power consumption was 8.42 billion kWh, up 11.2 percent; a total of 2,715,100 tons of chemical fertilizers (in terms of 100 percent active ingredients) were used, an increase of 10.6 percent; and the effective irrigated areas reached 4,552,340 hectares, up 2.0 percent. In 1991, all levels conscientiously organized and extensively mobilized the people to whip up an upsurge in building and repairing water conservancy projects, and in preventing and combating disasters. During the year, 252,000 water conservancy projects

were built or repaired, and 510 million workdays were devoted to this work, showing an average of 15 workdays devoted by each worker in the rural areas. Some 1.115 billion cubic meters of earth and stone work were completed which added an irrigated area of 150,120 hectares. We improved areas eroded by water and soil, and made fairly great achievements in draining flooded fields and improving the alkaline land.

The secondary and tertiary industries were vigorously developed in the rural areas which helped further invigorate the rural economy. In 1991 the total product of the rural society was valued at 213 billion yuan, up 20.3 percent over the previous year. Of this, the total output value of industry, building industry, transport industry, commerce, and catering industry reached 136.8 billion yuan, up 21.9 percent.

## 2. Industry

In 1991, the whole province conscientiously implemented the principle of the provincial party committee and the provincial government on improving enterprise quality, accelerating structural readjustment, and raising economic efficiency, and witnessed a good trend of development in industrial production.

Industrial production steadily increased. The whole province's total industrial output value was 259.170 billion yuan, an increase of 17.1 percent over the previous year. Of this the output value of industrial units at and above the township level was 182.037 billion yuan, up 13.7 percent.

Progress was made in structural readjustment. Judging from the ownership structure, the rate of increase in the output value of state industrial units accelerated, showing an increase of 9.1 percent, or an increase of 4.3 percentage points over the previous year. Collective industrial units continued to keep up their growth momentum and the output value showed an increase of 19.1 percent over the previous year. Of this, the output value of township industrial unit increased 27.7 percent. The industry of other economic sectors which takes the "joint, cooperative and foreign-funded enterprises" as the mainstay increased 70.1 percent. The state and collective industrial units at and above the township level accounted for 69.9 percent. Rural industry was further developed and their output value was nearly 114.3 billion yuan, up 26.8 percent, and its proportion in the entire industry was 44 percent, an increase of 4 percentage point over the previous year. Judging from the light industrial structure, the growth of heavy industry accelerated, and the output value of heavy industrial units at and above the township level across the province reached 88.835 billion yuan, up 14.1 percent over the previous year, and its proportion rose from 48.4 percent to 48.6 percent. The output value of light industry was 93.202 billion yuan, up 13.2 percent, and its proportion dropped from 51.6 percent in the previous year to 51.4 percent. Judging from the product mix, to meet market demands, we adopted measures to restrict

the production of some light industrial products and reduce stockpiled goods, accelerated the increase of products for investment purposes, and strengthened the production of energy products, essential raw material industrial products, agriculture-oriented products, and export products. Of the 90 major products appraised, the output of 59 rose, accounting for 65.6 percent. The output of major industrial products was as follows:

	1991	Percentage increase over 1990
Wrist watches	5,606,800	1.1
Cameras	240,000	67.1
Television sets	745,100	12.3
(Of which: color sets)	286,000	12.0
Radios	225,000	1.4
Household washing machines	614,500	5.4
Electric fans	2,258,400	24.7
Household refrigerators	315,100	15.0
Chemical fibers	48,400 tons	18.6
Yarn	587,700 tons	8.8
Cloth	2,194 billion meters	1.4
Clothing	139,812,700 pieces	2.1
Bear	1,065,700 tons	26.8
Machine-made paper and paperboard	1,153,900 tons	4.6
Synthetic detergents	118,100 tons	8.1
Raw coal	60,510,300 tons	3.0
Crude oil	13,551,900 tons	0.1
Electronics	49,592 billion kWh	11.1
Iron ore	5,418,000 tons	19.7
Pig iron	2,89 million tons	0.1
Steel	2,497,900 tons	10.0
Rolled steel	1,711,000 tons	12.8
Soda Ash	797,200 tons	4.1
Caustic soda	380,200 tons	4.6
Chemical fertilizer	1,432,600 tons	0.2
Chemical insecticide	11,014 tons	18.2
Plastic sheets for farm use	44,600 tons	16.8
Synthetic rubber	110,700 tons	5.7
Cement	21,480,100 tons	21.0
Metal-cutting machine tools	11,468	-18.5
Automobiles	11,583	16.7
Tractors	10,013	62.5
Small tractors	270,700	32.3

Product quality improved steadily. In 1991, the province developed 5,026 new products. Four products won the

state's gold and silver prizes for good quality, and 1,086 products won the title of provincial good-quality products. Product quality improved at a steady rate of 94.43 percent, up 1.72 percentage points from the preceding year, and the good-quality production rate was 23.59 percent, up 0.32 percentage points.

The economic efficiency of enterprises improved. In 1991, the per-capita productivity of industrial enterprises at and above the township level throughout the province was 34,057 yuan, up 7.4 percent from the preceding year; their income from sales was 152,901 billion yuan, up 19.0 percent; the profits and taxes they turned over to higher authorities totaled 15,761 billion yuan, up 18.5 percent; and their profits came to 4,234 billion yuan, up 26.7 percent. The decline in the profit-tax rate and profit rate of funds stopped, and they showed an increase of 0.1 and 0.2 percentage points, respectively, over the preceding year. The number of loss-making enterprises showed a decrease of 3.7 percent from the preceding year, and the amount of deficits decreased of 9.4 percent. Although economic efficiency improved, we failed to raise it to our previous best record.

### 3. Investments in Fixed Assets and Construction Undertakings

Investment in fixed assets showed a sustained increase and the investment structure was somewhat readjusted. The annual investments made by the entire society in fixed assets reached 39.55 billion yuan, a 17.9 percent increase over 1990. Of these investments, local ones reached 30.19 billion yuan, a 21.6 percent increase over 1990. Of the investments in fixed assets, those made by state-run enterprises reached 23.08 billion yuan, a 24.5 percent increase over 1990; those made by collective-run enterprises reached 8.43 billion yuan, a 17.9 percent increase over 1990; and those made by individual-run enterprises reached 8.04 billion yuan, a 2.21 percent increase over 1990.

The investment structure was gradually optimized and investments were favorable to key industries and trades. Of the 1991 investment by state-run enterprises in capital construction and technical renewal and renovation, investment in newly built projects reached 5.513 billion yuan decreasing from 34.6 percent of total investment in 1990 to 32.1 percent in 1991, and investment in expanding and rebuilding projects reached 10.923 billion yuan increasing from 56.4 percent in 1990 to 63.6 percent in 1991. Elementary industries were strengthened. Investments in agriculture, forestry, and water conservancy works reached 388 million yuan increasing from 1.6 percent of investment in 1990 to 2.3 percent in 1991; those in transportation and postal and telecommunications undertakings reached 1.639 billion yuan increasing from 8.3 percent in 1990 to 9.5 percent in 1991; and those in culture, education, and public health reached 1.148 billion yuan and the proportion increased from 5.3 percent in 1990 to 6.7 percent in 1991.

The progress in building key projects was accelerated. The 1991 investment in the large and medium-sized projects of capital construction reached 5.831 billion yuan, surpassed the annual plan by 1.4 percent, showed a 2.7 percentage point increase over 1990.

The pace of technical renovations conducted by enterprises was accelerated and investments were prominent. The 1991 investments made by state-run enterprises across the province in technical renewal and renovations reached 6.1 billion yuan, a 35.5 percent increase over 1990. Of these investments, those in projects for saving energy resources, increasing the variety of products, improving product quality, and bringing the three wastes under control, reached 1.85 billion yuan, a 62.2 percent increase over 1990, and the proportion increased from 25.8 percent in 1990 to 30.8 percent in 1991; and those in rebuilding projects reached 3.02 billion yuan, a 43.6 percent increase over 1990, and the proportion increased from 46.7 percent in 1990 to 49.5 percent in 1991.

The progress in building marketable houses was rapid. The 1991 investment in building marketable houses reached 1.57 billion yuan, a 70.7 percent increase over 1990, and the floor space of well-built houses reached 3,318,000 square meters, a 37.4 percent increase over 1990. Of this, investment in building marketable residential houses reached 1.21 billion yuan, a 77.7 percent increase over 1990, and the acreage of well-built residential houses reached 2,973 million square meters, a 42.2 percent increase over 1990.

The 1991 fixed assets newly increased from capital construction projects and technical renewal and renovations conducted by state-run enterprises were worth 14,208 billion yuan and the rate of utilizing the newly increased fixed assets increased from 81.0 percent in 1990 to 82.7 percent in 1991. The newly increased productive capability of the state-run units included 3.9 million tons of dressed coal, 4.03 million tons of crude oil, 856,000 tons of cement, 1,025 million kw of power installed capacity, 100,000 tons of beer, 25,000 tons of synthetic fiber, 250,000 tons of daily water supply, and 200,000 cubic meters of urban gas supply.

The contingent of construction personnel steadily became strong and economic results scored on the construction front achieved an obvious turn for the better. The 1991 number of construction personnel from the state-run and urban collective-run enterprises reached 396,300, a 3.9 percent increase over 1990. The total value of construction enterprises reached 6.69 billion yuan, a 13.6 percent increase over 1990, and the value of construction reached 6.4 billion yuan, a 13.9 percent increase over 1990. The acreage of houses under construction reached 16 million square meters, a 3.5 percent increase over 1990; the rate of completely-built houses reached 43.5 percent, and the per capita productivity reached 16,896 yuan/person, a 9.47 percent increase over 1990.

The work of geological survey and prospecting scored new achievements. The provincial geological front scored 154,800 meters of tunnelling footage, discovered 14 new mineral deposits, and presented 56 geological reports of various kinds.

Environmental protection developed substantially. By the end of 1991, the province had 149 environment monitoring stations and 18 nature reserves at and above the provincial level and completed 510 environmental pollution control projects within the fixed time, in which an investment of 212,125,000 yuan was made. In 31 cities of the province, 116 dust control districts covering 490.9 square km were built and, in 17 cities, 52 districts covering 148.7 square km were built where noise control work reached the designed standard.

#### 4. Transportation, Post, and Telecommunications

Transportation conditions in the province were further improved, and the volume of transportation increased substantially. By the end of 1991, the total length of the province's highways was 41,937 km, an increase of 1,165 km over the preceding year. Of the total, high-grade and second high-grade highways totaled 25,596 km. The opening of Jinan-Qingdao high-grade highway indicated that Shandong's road construction was raised to a new level. The province's volume of cargo transported by various means totaled 441.31 million tons, up 6.1 percent from the preceding year. Of the total, cargo transported by rail totaled 83.59 million tons, up 2.3 percent; and cargo transported by highway 345.86 million tons, up 6.0 percent. The volume of passenger transportation was 320 million persons, of whom 30 million passengers were transported by rail, and 282 million passengers were transported by highway, up 11.2 percent. The volume of cargo loaded and unloaded in ports was 60.94 million tons, up 11.9 percent from the preceding year and an all-time high.

The volume of transportation by various means was as follows:

	1991	percentage increase over 1990
Volume of cargo transport		
Railway	57,905 billion tons/km	1.8
Highway	16.66 billion tons/km	6.3
Waterway	9.047 billion tons/km	40.4
Volume of passenger transport		
Railway	15.232 billion people/km	7.0
Highway	16.598 billion people/km	12.4
Waterway	96 million people/km	81

Post and telecommunications service developed vigorously in 1991. The business volume exceeded 1 billion yuan for the first time, reaching 1.04 billion yuan, up 33 percent from the preceding year. In the province, 76 counties and cities opened domestic long-distance direct dialing service, and 25 of them opened international long-distance direct dialing service. By the end of the year, the capacity of urban telephone switchboards was 540,100 channels, the capacity of automatic telephone switchboards was 351,200 channels, and rural telephone subscribers totaled 81,100, up 11.2 percent. Express mail service, phototelegraph service, and special express delivery service increased rapidly.

#### 5. Commerce, Material Supply and Marketing, and Prices

Urban and rural markets were brisk, and consumer demand remained stable. In 1991, the province continuously intensified efforts to build urban and rural markets and adopted measures to start up the market and enliven circulation, thus bringing about an all-around upturn in business. The province's volume of retail sales was 66.057 billion yuan, up 15.8 percent from the preceding year, or 10.6 percent when allowing for price rises. Of the total, 48.349 billion yuan worth of consumer goods were sold to individuals, up 16.0 percent, and 5.008 billion yuan worth of consumer goods were sold to institutions, up 15.5 percent. The consumer goods retail sales in rural areas totaled 18.319 billion yuan, up 13.2 percent from the preceding year. The retail sales of agricultural means of production sold to peasants came to 12.7 billion yuan, up 15.2 percent.

State commercial units played their role as the major channel fairly successfully. The commodity retail sales of the state commercial enterprises throughout the province totaled 19.22 billion yuan, up 20.3 percent, which was 4.7 percentage points higher than the growth rate of the retail sales of the province. The proportion of the retail sales of state commercial enterprises in the total retail sales of the province rose from 28 percent in the preceding year to 29.1 percent.

The volume of retail sales of everyday consumer goods in 1991 reached 53.357 billion yuan, an increase of 16 percent over the previous year. Of this, that of food rose by 16.7 percent, that of clothes rose by 16.2 percent, and that of daily necessities rose by 15.1 percent. Of the 40 major commodities, the sales of 23 rose and those of 17 declined.

The sales of major commodities were as follows:

	1991	percentage increase over 1990
Grain	6,379,700 tons	18.7
Edible vegetable oil	328,200 tons	-0.8
Hogs, pork	2,924,600 tons	0.8
Aquatic products	165,900 tons	27.0

	1991	Percentage Increase Over 1990
Coarse cloth	223,631,700 meters	9.7
Woolen goods	12,307,800 meters	8.0
Silk	31,017,500 meters	12.6
Clothes	43,165,800	13.3
Television sets	1,157,100	13.7
Of this: Color sets	383,400	24.4
Electric fans	2,401,100	31.8
Washing machines	198,100	33.0
Refrigerators	276,900	13.9
Cameras	60,900	50.0

Urban and rural markets continued to be brisk and their business volume reached 19,382 billion yuan, an increase of 26.5 percent. Of this, the business volume of urban markets reached 7,638 billion yuan, an increase of 61 percent, and that of rural markets was 11,743 billion yuan, an increase of 11.1 percent.

The purchasing and marketing volume of capital goods increased at a fairly rapid speed. In 1991, the supply departments across the province purchased 30,338 billion yuan worth of capital goods, an increase of 35.3 percent, and sold 32,240 billion yuan worth of capital goods, an increase of 33.0 percent. Of this, they sold 3,702,000 tons of steel products, an increase of 35.1 percent, 43,014,500 tons of coal, an increase of 13.9 percent; 2,765,300 cubic meters of timber, an increase of 20.7 percent; and 73,700 vehicles, an increase of 50.3 percent.

Market prices rose steadily. In 1991, the province readjusted, in a well-planned manner, the prices of some farm products and basic industrial products and decontrolled the prices of 121 kinds (categories) of commodities. Some price management methods were reformed. Thanks to the improvement of the macroeconomic environment, the price hikes due to higher demands tended to be weakened. The people felt assured about consumption. There was no big price fluctuation. The total level of retail prices rose by 4.7 percent. Of this, that in the urban areas rose by 6.1 percent and that in the rural areas rose by 3.6 percent.

The prices of eight major consumer goods and agricultural capital goods changed as follows:

	1991	1990
Food	6.8	1.0
Of this grain	10.7	-2.2
Meat, poultry, eggs	6.6	-0.2
Fresh vegetables	1.8	6.6
Aquatic products	-0.9	3.0
Clothes	4.3	7.4
Daily necessities	1.8	2.1

Cultural and entertainment goods	-4.2	-3.5
Books, papers, and magazines	2.6	5.7
Drugs and medical treatment articles	9.2	4.0
Building materials	1.0	-3.2
Fuels	24.0	10.5
Agricultural capital goods	2.0	3.2

The price index of country fair trade rose by 2.5 percent, an increase of 4.6 percentage point over the 1990 growth rate. The living expenses of urban staff and workers rose by 6.2 percent, an increase of 3.6 percentage point over the previous year and the living expenses of the peasants rose by 4.0 percent.

#### 6. Foreign Economic Relations and Trade, Economic Cooperation, and Tourism

The year 1991 was our province's first year to implement the system of combining economic relations with trade and to allow foreign trade enterprises to implement the operational mechanism of assuming sole responsibility for profits and losses. The new foreign trade system boosted the enthusiasm of enterprises to create foreign-exchange earning through export. We succeeded in steadily increasing foreign exchange through export and remarkably raising economic efficiency. The whole province's completed export volume of commodities reached \$3,829 billion, up 10.2 percent over the previous year. Of the total export volume, the export of products produced by local contracted enterprises was valued at \$2,351 billion, up 12.5 percent, the export of "joint, cooperative, and foreign-funded enterprises" was valued at \$361 million, an increase of 165 percent. The export cost dropped, and the long deficits of foreign trade enterprises began to take a turn for the better.

The scope of using foreign capital continued to expand and the structure improved. In 1991, the whole province signed 1,187 contracts on utilization of foreign capital, and the contracts involved \$1,023 billion, up 59 percent over the previous year. Actually, \$468 million of foreign capital was used, an increase of 37 percent. Of this, \$180 million came directly from foreign businessmen, up 19 percent. Of the newly approved foreign-invested enterprises, more than 95 percent of which were productive projects, and most of which were enterprises earning foreign exchange through export and technically-advanced enterprises.

New progress was made in foreign economic and technological cooperation. The province as a whole signed 105 contracts for construction projects and labor service abroad, and the contracts involved \$56.22 million, showing an increase of 15.4 percent and 56.5 percent respectively over the previous year. The actually completed transaction volume was \$56.22 million, up 55.3 percent. We signed 15 contracts on the utilization of foreign government loans, and the contracts involved \$66.01 million. Actually, \$63.85 million was used. We

strived for 30 items of international gratis aid which involved a sum of \$12.47 million.

**Big progress was made in domestic economic and technological cooperation.** In 1991, the province as a whole signed 5,029 economic cooperative contracts, 4,457 of which were implemented, and the agreements involved a sum of 1.25 billion yuan, of which 1.128 billion yuan was put into use. The import of technologies totalled 2,620, showing an increase of 34 percent, and 29,172 trained personnel were exchanged, up 106 percent.

**International tourism developed rapidly.** In 1991, the province received 172,000 tourists from foreign countries, Hong Kong, Macao, and Taiwan who came to our province for sightseeing and visits and for other economic, trade and exchange activities, up 37.6 percent over the previous year. Among them, 99,500 were foreigners, up 44.4 percent; 4,800 were Overseas Chinese, up 41.2 percent; 33,200 were compatriots from Hong Kong and Macao, up 50.2 percent; and 34,400 were compatriots from Taiwan, up 13.5 percent. The income from the tourist industry reached 271 million yuan (foreign exchange in terms of renminbi), up 56.6 percent over the previous year.

### 7. Science and Technology

**New progress was made in scientific and technological undertakings.** In 1991, the province achieved in 2,488 major scientific and technological achievements, of which 175 attained the international advanced level, 1,303 attained the domestic advanced level, 30 won the state award for scientific and technological progress, 14 won the state invention award, and 440 won the provincial award for scientific and technological progress. By the end of 1991, there were 2.2 million of specialized technical personnel of various types across the province, 420 state independent scientific research and development organs at and above the county level, and 1,143 nongovernmental scientific research organs.

**We vigorously developed agriculture with science and technology.** In 1991, about 80 percent of townships and towns across the province had full-time science and technology managerial cadres, 57 percent of townships and towns had deputy township or town heads to take charge of scientific and technical work, and 85 percent of villages had assigned directors to take charge of scientific and technical work. The whole province implemented 372 "Spark Plan" projects which added an output value of 3.250 billion yuan, created 750 million yuan in profits and taxes, and created \$240 million in foreign exchange. A total of 200,000 technical and managerial personnel were trained for the rural areas.

**The technical market became increasingly brisk and the progress in commercializing the technical results was accelerated.** By the end of 1991, the number of technical trading units of various kinds reached 1,930, which accommodated more than 20,000 personnel. Of these personnel, scientific and technological ones accounted for more than 60 percent. These technical trading units

signed 14,513 contracts on technical transfer with outside places, which involved 470 million yuan.

**The patent work was improved to a new level.** In 1991, the province received 3,348 patent applications, a 31.1 percent increase over 1990, and approved 1,569 cases, a 23.3 percent increase over 1990. The province also put 995 patent projects into production, from which the 115 million yuan of newly-increased output value was scored.

**The technical exploitation of large and medium-sized industrial enterprises achieved faster development.** By the end of 1991, 60 percent of large and medium-sized enterprises throughout the province established special organs in charge of technical exploitation, which accommodated more than 40,000 personnel. A large number of new varieties of products created by the enterprises themselves were put into production and the output value of new production is increasing year after year.

**New-, high-technology industries achieved rapid development.** The province has established the two national-level new-, high-technology development zones in the cities of Weihai and Jinan and the three provincial-level development zones in the cities of Qingdao, Yantai, and Zaozhuang. The 1991 investments in the capital construction projects of development zones reached 639 million yuan and the acreage of newly-built workshops and buildings as well as associated facilities reached 90,020 square meters. These development zones introduced 71 new and high technologies, scored 212 varieties of new-high technical products, realized 1.133 billion yuan in output value and 226 million yuan of profits and taxes, and earned \$43.85 million in foreign exchange.

**The working and technical levels of the province's meteorological and metrological fronts were newly upgraded.** The meteorological departments at all levels provided more accurate and timely forecasts of natural disasters, rendered services for production and livelihood, and scored marked economic results and social benefits. According to incomplete statistics, the province avoided economic losses of 700 million yuan thanks to the forecast of meteorological units. The geological survey and prospecting departments drew 830 maps to various scale, published 126 new maps, and provided society with 64,400 maps to scale, 10,005 aerophotographs, and 6,101 land survey results. The metrological department formulated or improved 15 provincial level measurements and carried out the test acceptance for 460 world-standard products. In 1991 the province appraised 404 metrological standards. Of these standards, 306 were submitted by provincial level enterprises. The level of the metrological work of 1,760 enterprises across the province was upgraded in the year.

### 8. Education, Culture

**The structure of higher education was somewhat readjusted.** In 1991 the province maintained the operation of 49 higher education institutions that accommodated 100,007 students, a 1,300 student increase over 1990.

Although the number of student enrollment and current students in adult education institutions decreased over the year due to improvement and consolidation, their schooling conditions and teaching quality were upgraded.

Secondary technical and vocational education achieved rapid development. In 1991 the province had 1,084 technical and vocational schools of various kinds, which accommodated 536,000 students, a 23,000 student increase over 1990. General middle schools achieved stable development. The number of students currently in senior middle schools showed a 9,000 student and 1.9 percent increase over 1990, and that of junior middle schools showed a 47,800 and 1.5 percent increase over 1990. The proportion of students currently in secondary vocational and technical schools of various kinds in the total number of senior middle schools as a whole increased from 51.4 percent in 1990 to 52.7 percent in 1991.

Based on making elementary education popular, the teaching quality of primary schools was further upgraded. The rate of students who have succeeded in continuing their studies in schools reached 98.1 percent, a 0.23 percentage point increase over 1990; that of primary school graduates who were able to enter the higher schools reached 78.9 percent, a 3 percentage point increase over 1990, and the graduation rate of primary school students reached 98.2 percent.

Preschool and special education also achieved faster development. In 1991 the province's kindergartens and nurseries accommodated 2,319 million children, a 9.5 percent increase over 1990. The schools of special education accommodated 9,000 students, a 12.7 percent increase over 1990.

Cultural work was soundly developed during reform. In 1991 the province had 10,362 film projection units of various kinds and released 180 feature films, 120 art performing groups of various types, 118 public libraries, two more than the previous year; 141 cultural centers, the same as last year; and 162 archive centers with a total storage of 4,526 million volumes (copies) of books, of which 3,195 million were files.

Radio, television, press, and publication work continued to develop. In 1991 there were 70 radio broadcasting stations at all levels across the province, and 34 television stations, showing an increase of six and two respectively over the previous year. The radio and television coverage reached 86 percent and 84 percent respectively, all showing an increase over the previous year. During the year, 2,578 varieties of textbooks, totaling 357 million copies, 184 varieties of magazines, totaling 44,68 copies, and 62 varieties of newspapers, totaling 796 million copies, were published.

#### 9. Public Health and Sports

Public health work was developed more. In 1991 the province had 2,861 hospitals of various descriptions, up

43 percent over the previous year, and there were 165,000 hospital beds, an increase of 5,000, and 309,000 medical personnel, an increase of 2,000 over the previous year. The capacity to prevent and cure disease was further strengthened, and the incidence of major infectious diseases was controlled at 1.44 per thousand. The rate of inoculation for children between one and two years old reached 97.6 percent, up 6.4 percentage point over the previous year.

New strides were made in sports undertakings. In 1991 one athlete from our province broke two world records on two occasions, two athletes broke two Asian records on three occasions, and six athletes broke seven national records on eight occasions. At competitions of the highest levels at home and abroad, we captured eight world championships, seven Asian championships, and 24 national championships, and held 10,167 sports meets at and above the township level, with 2,558 million athletes attending. There were 5,652 million people attained the "national sports training standards." Thirty-three counties across the province entered the rank of national advanced sports counties.

#### 10. People's Living Standard

The income of urban and rural residents constantly rose. In 1991, the average per capita cash income of urban residents that could be used for living expenses was 1,566 yuan, an increase of 11.2 percent over the previous year, or a real growth of 4.7 percent if increases in prices were excluded. The average per capita net income of peasants was 764 yuan, an increase of 12.3 percent over the previous year, or an actual growth of 9.4 percent if increases in prices were excluded.

The actual consumption level of urban and rural residents was raised, and the housing conditions continued to improve. The average per capita living expenses of urban residents across the province was 1,407 yuan, up 14.5 percent over the previous year, that of peasants was 613 yuan, up 12.1 percent over the previous year. The consumption increase of urban and rural residents basically kept pace with their income increase. The estimate based on a sample survey showed that the average per capita living space of urban residents was 10.47 square meters, up 0.02 square meters over the previous year, and that of peasants, 19.90 square meters, up 1.4 square meters over the previous year.

The durable consumer goods of urban and rural residents increased continuously. The durable consumer goods owned by every 100 households in the urban and rural areas were as follows:

	Urban areas	Rural areas
Television sets	115	69.79
Of which Color TV sets	73	9.55
Tape recorders	75	18.48

	Urban areas	Rural areas
Household refrigerators	60	169
Washing machines	80	683
Electric fans	153	6614
Sewing machines	71	69.83
Cameras	18	119

In 1991 the province arranged jobs for 273,000 persons to make the year-end number of staff members and workers throughout the province 8.031 million, an increase of 355,000 from the preceding year. Of the total, 5.795 million were staff members and workers of state units, showing an increase of 258,000. Among the staff members and workers of state units, 1.339 million were contract workers, an increase of 169,000; and their proportion in all the staff members and workers of state units rose from 21.1 percent in the preceding year to 23.1 percent. The total wage for all the staff members and workers of the province was 17.975 billion yuan, up 11.0 percent from the preceding year. Of the total, 13.971 billion yuan went to staff members and workers of state units, up 10.7 percent. The average annual wage of staff members and workers was 2,288 yuan per capita, up 139 yuan.

Urban and rural people's savings deposits increased substantially. By the end of 1991, the balance of the savings deposits of urban and rural people stood at 72.152 billion yuan, showing an increase of 14.604 billion yuan over the figure calculated at the beginning of the year. Of the total, 47.537 billion yuan were urban savings deposits, an increase of 11.009 billion yuan; and 24.615 billion yuan were rural savings deposits, an increase of 3.595 billion yuan.

The rapid development of social insurance business effectively supported economic construction. In 1991, the total assets of various insurance properties reached 327.3 billion yuan, up 28.9 percent from the preceding year; and 28,000 enterprises and 8,868 million households participated in the insurance. A total of 16.879 million persons participated in life insurance programs. The total income of domestic and foreign insurance services was 1.694 billion yuan, up 32.2 percent from the preceding year. Domestic and foreign insurance paid an indemnity of 647 million yuan, up 14 percent. Of the total amount, 443 million yuan were paid for 136,000 domestic claims for property losses; 84 million yuan were paid to 312,000 persons as reparations in life insurance programs; and \$9.97 million (equivalent to 54.189 million yuan Renminbi) were paid as reparations in the insurance programs concerning foreigners.

Social welfare continued to develop. The province had 7,762 social welfare institutions to provide homes for 73,000 persons, and social security foundations increased to 28,202 to cover 86.1 percent of the areas of the province, up 5.7 percentage points from the preceding year. In the year, 69.68 million yuan in relief

funds were issued to 607,000 impoverished households, of which 194,000 were able to rid themselves of poverty. The province had 3,757 social welfare enterprises to provide jobs to 60,000 handicapped people.

## 11. Population

Since the beginning of this year, party committees and governments at all levels have intensified family planning measures and strictly controlled population growth, thus achieving notable results. According to sample surveys, the 1991 birth rate was 15.4 per thousand, death rate 6.54 per thousand, and natural population growth 8.86 per thousand. It was estimated that the total population of the province was 85.702 million by the end of the year.

Footnote: 1) National income, GNP, and industrial and agricultural output value quoted in this communiqué are at current prices for the year, whereas growth rates are calculated at comparable prices.

2) All figures in the communiqué are preliminary annual statistics.

## Finance, Banking

### Center-Localities' Financial Problems, Solutions

92CE03364 Xiamen ZHONGGUO JINGJI WENTI in Chinese No 1, 20 Jan 92

[Article by Yuan Dong (5913 2639), Science Research Institute, Ministry of Finance: "Problems in the Financial Relationship Between the Central Government and Local Governments and Ways To Solve Them"]

[Text] The author says that the fundamental solution to problems in the financial relationship between the central government and local governments lies in reshaping the financial system so as to straighten out the financial relations between the two. This means a gradual change from a contract system in which task fulfillment is guaranteed but not delivered, to a standard level-by-level financial system guaranteed by law. This entails a division of financial authority based on the functions of the central government and local governments so that local government will have the financial autonomy, the independent sources of funds, and the independent budgets that the constitution provides.

## 1. The Problems

(1) Superficial Problems. Looked at in terms of current national financial receipts and expenditures, an uneven pattern of distribution of financial resources exists between the central government and local governments. This results in an improper tilt in which the percentage of revenues going to the central government treasury is becoming smaller and smaller. Central government financial revenue as a percentage of total national financial revenue declined from 66.1 percent in 1980 to 45.2 percent in 1989 in a 20.9 percentage point decrease. This is also an overly low percentage in comparison with capitalist countries. In France and the United Kingdom,

for example, central government financial revenue is approximately 60 to 70 percent of national financial revenue, and in the United States and Germany, central government financial revenue amounts to between 40 and 50 percent of national financial revenue.

2. The low growth of central government financial revenue is very inconsistent with the growth of local financial revenue. During the past decade, China's financial revenue has increased by approximately 7.67 percent each year. This included a 12.37 percent annual increase in local government financial income. For example, after 17 provinces (or municipalities) including Beijing, Tianjin, Hebei, and Liaoning, as well as cities with provincial-level decision-making authority (Chongqing, Wuhan, Shenyang, Guangzhou, Xi'an, Dalian, and Harbin) instituted different kinds of financial contracting, revenue increased in varying degrees except in certain specific areas. In five areas, revenues increased more than 14 percent, while during the same period central government revenues increased only 10.03 percent for a 2.34 percentage point difference. These 2.34 percentage points meant 6.05 billion yuan less in revenue for the central government treasury in 1988. Comparison of 1988 with 1985 for the country as a whole shows a 17.4 percent per year increase in local government revenue, while central government revenues (the domestic portion) for the same period increased by only 0.15 percent per year. This was a 17.25 percentage point difference, which is very much out of line. The gap between the rate of growth in the central government and local government financial revenues intensified the trend toward a decline in the percentage of central government revenue.

3. The percentage of central government expenditures declined, but the trend was toward a widening of the range of its expenditures. From the beginning of the Third Five-Year Plan to the end of the Fifth Five-Year Plan, central government financial expenditures as a percentage of national financial expenditures averaged 57.77 percent. In 1981, however, this percentage began to decline gradually, reaching 39.2 percent in 1988. This was 18.57 percentage points lower than the average percentage for the 30 years prior to 1981. Meanwhile, the percentage of local government expenditures in 1988 was 60.89 percent, up 42.23 percent in a 14.8 percentage point increase over the average percentage for the 30 years prior to 1981. Nevertheless, there was no reduction in the number of things that the central government funded. National defense, foreign relations, foreign assistance, investment in key construction, servicing of government debt principal and interest, as well as price subsidies were completely or largely paid for out of the central government treasury. Payments for debt servicing alone rose from 2.558 billion yuan in 1980 to 7.675 billion yuan in 1988 in an average annual 14.72 percent increase. With the advent of the peak period of debt repayment in 1992, more than 40 billion yuan is to be repaid during the highest year, most of it by the central government. Consequently, the central government treasury will find itself in the difficult predicament

of making new loans in order to repay old ones, or even worse of making new loans without repaying the old ones.

4. After offsetting revenues against expenditures, the central government shows a deficit year after year, while local governments show a surplus almost every year. Except for 1985 when it showed an 83 million yuan surplus, the central government showed a deficit in every other year. During the period 1979 through 1988, the central government showed a cumulative deficit of 74.75 billion yuan, while during the same period local governments showed a surplus of 9,949 billion yuan, an enormous contrast.

5. Both the central government and local governments are in financial difficulties. The central government's financial predicament is becoming worse and worse, and a look at the country as a whole shows most local governments financially hard-up as well. Incomplete statistics show nearly two-thirds of more than 2,000 counties in the country as running a deficit, and 40 percent of all provinces as receiving financial assistance. In quite a few prefectures, administrative units are not even able to pay wages. During the period 1979-1988, the financial revenues of some economically-developed provinces and cities showed a trend toward decline in a straight line as a percentage of national income. Furthermore, the decline was very great. In Guangdong, for example, the decline was 49.2 percent, for Shanghai, 57.7 percent, and for Jiangsu, 58 percent—all higher than the 40.1 percent decline for the national government at the same time. In recent years, the absolute value of Shanghai's local government financial revenues has even showed a consecutive year decline and a trend toward a sustained decline. In addition, a substantial portion of the country's local government expenditures are made up of assistance and fixed expenditures, i.e., a portion of local government expenditures are made on behalf of the central government, and cannot be controlled by the local jurisdictions. This demonstrates the financial hardships that both the central government and local governments are facing. To emphasize the central government's financial difficulties alone while overlooking or denying the seriousness of the local governments' situation is to have an unscientific attitude that is not helpful in solving the financial difficulties in a fundamental way, or in straightening out future financial relationships between the central government and local governments.

2. Deep-seated Problems. Changes in the central government and local government revenues and expenditures reflect deep-seated problems in financial distribution relationships between the central government and local governments, which is to say problems attributable to the system. The system of dividing revenues and expenditures between the central and local governments and holding each responsible for balancing its own budget, which was implemented in 1980; the separation of receipts and disbursements, and the ratifying of receipts and disbursements for contracting at various levels,

which was instituted in 1985; and the more direct large scale government financial contracting, which was instituted in 1988 were all contract financial systems. It must be explained that because conditions were not yet ripe for the levying of various kinds of local taxes when the 1985 system was put in place, too much was invested in fixed assets throughout the country; consumption growth was too abrupt; state macroeconomic control measures were not coordinated with reforms in other regards, and conditions for dividing up different kinds of taxes did not yet exist. Consequently, the State Council decided during the Seventh Five-Year Plan to use the division of different kinds of taxes as a basis for dividing up the total, i.e., adding together local fixed revenues and revenues that the central government and local governments share, linking them to local government expenditures, and determining an area-by-area percentage for dividing up the total. Therefore, despite the dividing up of different kinds of taxes, it remained an apportionment-style financial contracting system. The problems found in surveying a system of this nature are as follows:

1. Shortcomings in concepts, namely, ignoring the development of a new centralized regulation and control system simultaneous with the delegation of authority. In particular, the new system's continuation of the method of dividing up revenues and expenditures according to the administrative subordination relationships of the old system caused the system of dividing up revenues and expenditures between the central and local governments to become a separation of the central and local governments. The central idea of linking centralization with decentralization was lost. As a result, the central government's treasury lost the material strength to regulate and control the operation of local government treasuries. Financial resources were scattered. The handling of the relationship between the central government and local government financial departments gave rise to conflicts between the old pattern of a division of labor in financial functions and changes in ownership system relationships. The functional division of labor between the central government and local governments continued to be based on a division of labor between the two parties in carrying out the national budget, i.e., it was based on the amounts that had always been put into effect, receipts and expenditures divided up on the basis of enterprises' administrative subordination. This was bound to create new disharmony between government financial power sharing relationships and in the old functional division of labor in government finances. First of all, it created functional ambiguity and unclear limits of authority about finances between the central government and local governments. Second, it created conflicts between the functional division of labor on financial matters and economic relationships. As reform progressed, economic relationships in various regards—particularly the specific form of the enterprise ownership system and the way of putting it into effect—underwent enormous changes. Continued use of past implementation data and the old pattern of enterprise administrative subordination as a basis for the functional division of government

financial labor, taken together with the associated operation of changed economic relationships made it almost impossible to avoid frictions over interests.

2. To a greater degree, the financial guarantee system put central government financial revenues in a straight jacket. They were unable to grow at the same rate as local government financial revenues. The six different kinds of guarantees currently in effect, namely the guaranteed division of total revenues, guaranteed division of total revenues and guaranteed division of increases, guaranteed payment to the central government of a fixed quota, guaranteed quota assistance, guaranteed incremental increase in revenues, and guaranteed increase in revenues paid the central government have increased central government revenues because of the growth of local economies in recent years. This has resulted in a fairly rapid increase in government revenues. Nonetheless, because of the straight jacket imposed on the central government in the form of the overly low percentage set for revenue payments to it, central government financial revenues have increased only slowly. In Guangdong Province, for example, when the financial guarantee system was first implemented, only 1 billion yuan, or one-third of the 3 billion yuan of financial revenue was paid to the central government. Today, however, when Guangdong Province's annual financial revenue amounts to more than 14 billion yuan, thanks to the central government having subsequently set a 10 percent increase in the annual 1 billion that the province pays it, in addition to a voluntary contribution that Guangdong Province has made to the central government in recent years, the total amount that the province tenders the central government is still not more than about 2 billion yuan, or just one-seventh of the province's financial revenue. The more the local governments' financial revenues increase, the smaller the percentage they pay the central government.

The financial guarantee system lacks a scientific and rational basis codified in law for stabilizing and ensuring the financial distribution relationship between the central government and local governments, and for setting quantitative limits on the division of financial resources. It contains a large element of subjectivity and arbitrariness. Fights over base figures, arguments over percentages, haggling, and mutual infringement of rights are the rule. Under such a system, financial units at all levels do not concentrate their energies on marshalling government financial revenues, but on racking their brains. Either the central government is begging from local governments, or the local governments are looking to the central government for sustenance. For example, every year since 1981 the central government has issued several billion yuan worth of treasury bonds annually, and it has also borrowed from local governments. In 1983, the central government began levying on local governments an extrabudgetary tax for an energy and transportation fund, and in October of the same year, it began to levy a construction tax on the investment in capital construction that jurisdictions and sectors raised themselves. It

also brought back under central government control, one after another, some key enterprises having a direct bearing on the national economy and the people's livelihood, and that had high and consistent earnings. In 1987, the central government borrowed from local governments only to turn around and make the loans a part of base figures and issue electric power bonds. In 1988, it levied new kinds of taxes and increased the issuance of bonds, while also abolishing incremental increases in the fixed amount of assistance provided eight minority nationality provinces and regions. It also inaugurated a series of measures for reducing provinces' receipts and increasing their expenditures, claiming that "the central government invites guests, but the local governments get the money." For their part, the local governments proceeded from their own interests to erode and dilute central government returns. Examples include reduction of tax receipts, and drawing down stocks on hand to convert budgetary revenues to extrabudgetary revenues, and concealing their wealth in business enterprises. Statistics show a 19.6 percent increase over 1986 in the contracted profits of industrial enterprises within budget nationwide, yet profits paid the central government increased only 11.5 percent. In 1988, profits increased another 18.14 percent over 1987, but contracted profits paid the central government fell 13.46 percent to only 27 percent of profits realized. Tax reductions and exemptions that tax units at all levels granted business enterprises in 1988 amounted to more than 10 billion yuan.

4. The financial guarantee system has made a mess of tax relations between the central government and local governments. It has made difficult the payment of taxes according to law and uniform enforcement of central government policies. In areas dependent on central government assistance, since all tax revenues are retained by the local government, government expenditures are planned on the basis of tax revenues collected, and local governments themselves decide reductions and exemptions, local governments collect taxes they should not collect, and they do not approve tax reductions and exemptions that they should approve in order to get more money to cover outlays. Conversely, places that pay revenues to the central government may not collect taxes they should collect, and they may provide preferential tax reduction and exemption when they should not do so.

5. Financial relations between the central government and minority nationality areas are still not handled properly. The five minority nationality autonomous regions and the three provinces of Yunnan, Guizhou, and Qinghai, which are regarded as minority nationalities areas, are areas of the country that are relatively backward economically and in which the situation is more complex than elsewhere. Correct handling of the financial relationship between the central government and these eight areas is not only of economic importance, but is of major political and social importance as well. But problems exist in the following: (1) Changes are frequent in the state's financial management system for

minority nationality areas, provisions differ widely, and there may even be no relationship among them at all, and stable legal guarantees and a theoretical basis are lacking. The Party's nationalities policy is not well expressed. (2) Not enough study has been done of the problem of financial subsidies for minority nationality areas. Subsidization methods and amounts are frequently very arbitrary, and the 10 percent subsidy increase was abolished in 1988. (3) In drawing up and changing the government financial system, the special character of minority nationality areas is frequently overlooked; arbitrary uniformity is the rule nationwide. When the fixed subsidy system was in effect from 1988 through 1990, for example, even though it applied to 16 provinces and regions including 8 provinces and regions having minority nationalities, and to eight other provinces such as Jilin and Hubei, the system did not take into account the special character of the minority nationality areas. In 1987 when the central government borrowed 10 percent of each province's revenues, it treated all provinces alike no matter whether their expenditures were greater than their revenues or whether their revenues were greater than their expenditures. In addition, it cancelled the 10 percent increase in subsidies. This amounted to stabbing the minority nationality areas twice. As a result of this action, the Inner Mongolian Autonomous Region suffered a 500 million yuan reduction in disposable financial resources. During the Seventh Five-Year plan, Yunnan Province purchased 1 billion yuan worth of state bonds of various kinds, paid 1 billion yuan into the energy and transportation fund, and loaned the central government 1.4 billion yuan, all of which was much more than the province was able to afford.

6. No uniformity exists in central government and local government financial authority and substantive authority; there is no clear-cut separation of government functions at the various levels; and though the unified state control over revenues has been demolished, unified state control over expenditures is difficult to demolish. Because of the complexity and the incompleteness of reforms, China's financial system reform has raced ahead of other reforms. It has not been carried out in coordination with other reforms, particularly reform of the political system. Overlap exists in the division of central government and local government responsibilities and authority at all levels. In a situation in which some of the powers of the central government are in local governments and some of the powers of local governments are in the central government, the government financial guarantee system frequently contravenes the original intent, and there is vertical and horizontal overlap between upper and lower levels, making true guaranteeing of finances impossible. The frequent readjustment of base figures for revenues and expenditures, and the frequent changes in business enterprise subordination become inevitable reflections of this management method. Since the central government treasury is empty, the inauguration of reform measures can scarcely obviate a situation of "the central government inviting

gents, the local governments paying the bill." This makes it impossible for all levels to balance their budgets.

## 2. Ways Out

(1) We must accomplish the following regardless of the means selected for straightening out the financial relationship between the central government and local governments. We must arouse the initiative of both the central government and local governments. Practice in reform shows that a revival of the old system in which the central government exercises centralized control over revenues and expenditures is no longer possible. Fulfillment of the country's strategic objectives requires arousal of the initiative of both the central government and local governments for a rational division of the financial resources and substantive authority.

Recognition of the dominant position of the local government's economic interests is a prerequisite for a readjustment of the existing pattern of interests. It is also necessary for the stabilization of the overall situation.

Laying out a rational pattern of productivity, coordination of the economic development of all areas, implementation of state industrial policies, and strengthening of the weak links in the national economy requires the bolstering of the central government treasury's macroeconomic regulation and control capabilities in order to increase the central government financial revenues to 55 percent of total national financial revenues.

(2) The only way out lies in reshaping the financial system to straighten out the relationships between the central government and local governments, gradually changing the financial guarantee system from guaranteeing but not delivering to a legally codified and regularized level-by-level government financial system. This means a division of financial authority between the central government and local governments that is founded on a functional division of responsibilities and authorities between the central government and local governments, local governments thereby possessing the financial autonomy that the constitution provides, and having independent sources of revenue and independent budgets.

A distinctively Chinese level-by-level government financial system is level-by-level government finance in which local governments have full decision making authority under the centralized leadership of the central government. It requires the following: (1) It must be premised on maintenance of nationwide political and economic unity, and based on fullest use of local initiative and zeal. (2) It must meet requirements for the development of a planned commodity economy, must help shape a nationwide unified market, and must help advance the balanced development of the national economy.

The substance of level-by-level government finance includes the following: (1) A tax apportionment system, setting up dual tax systems in which central government

taxes and local government taxes are separate, and in which there is a strict distinction between central government and local government authority over tax receipts, reductions, and exemptions. This is a prerequisite for a level-by-level government financial system. (2) Establishment of independent level-by-level budgets, each level drawing up its own budget and striving to keep it balanced, and each jurisdiction possessing independence in drawing up and enforcing its budget. Financial subsidies from a higher level to a lower level are to be carried as budgeted expenditures, and lower levels receiving financial subsidies from higher levels are to carry them in their budgets and revenues, no unauthorized outlays of receipts and no retention of receipts permitted. This is a main feature of level-by-level finance.

China's economic development is unbalanced, a substantial gap existing between one region and another. In particular, other economic systems with which level-by-level government finance is interrelated are not fully developed, and problems in the financial relationship between the central government and local governments are urgent. Therefore, in the process of beginning to solve urgent current problems, progress must be made in an orderly step-by-step way, and favorable opportunities grasped for a gradual transition to level-by-level government finance. The following work will have to be done to achieve this.

1. Conscientious study of the division of functions and powers between the central government and local governments since a clear distinction between the authority of the central government and local governments determines the division of financial authority, and since this further determines the division of taxation authority. National realities as well as provisions of the constitution must be taken as the basis for determining the separate powers of the central government and local governments. According to Article 89 of the constitution, central government powers having a direct bearing on the economy are as follows: Economic construction throughout the country affecting the general welfare, national defense, foreign affairs, extraordinary disasters, and central government scientific, educational, cultural, and health endeavors. According to Articles 99, 104, and 107 of the constitution, the powers of governments at the county level and above relating to the economy are: Local economic construction, scientific, educational, cultural, health, and physical education endeavors, urban and rural construction, and the building of public utilities.

2. Conscientious and active running of pilot projects regarding the tax sharing system, using these projects as a basis for prompt efforts to move ahead with a government financial system that includes a tax-sharing system combined with subsidies. First we must straighten out the chaotic situation of preferences, reductions, and remissions of taxes by centralizing tax authority and strengthening central government control. Second we must perfect the local taxation system. Organizationally,

national tax bureaus and local tax bureaus should be set up, and the limits of central government and local government authority clearly set. During the present stage of its development, China must have regionally distinctive tax systems that reflect the degree of economic development of different regions.

(1) Along the east coast where the commodity economy is well developed, efforts must be made to create conditions for a tax-sharing system. When dividing up different kinds of taxes, consideration must be given both to local governments having stable sources of income commensurate with their powers, and to increasing the central government's financial resources appropriately. This includes, for example, an appropriate increase in the central government's share of shared taxes, production taxes, added value taxes, and business taxes, as well as taxes for the purpose of regulating the direction of investment, and customs duties reverting to the central government.

(2) In moderately economically developed areas in the middle of the country where the commodity economy is not yet well developed, central government concentration of most revenues for the purpose of subsidizing these areas would not spur local government efforts to create revenue. It would run contrary to the general principles of government financial system reform. Thus, when dividing up different kinds of taxes, the percentage that local governments share should be increased. In order to reflect the dominant position of central government finance in these areas, the central government must control revenues from central government taxes and how these revenues are used. In cases in which all taxes to be shared are retained by the local governments, but revenues still do not meet expenditures, special assistance may be provided for expenditures required to carry out local government functions and duties.

(3) In economically undeveloped areas receiving assistance in the western part of the country, and in minority nationality areas in which economic and cultural development lags markedly behind that of the country as a whole, 331 needy counties and 141 minority nationality areas account for 42.6 percent of the total number of such counties and areas in the country. These are areas in which raw and processed materials, as well as energy are concentrated, but where the irrational price system intensifies the imbalance in returns. Currently, all local government revenues revert to the use of the local government, but revenues still do not meet expenses. The state is still responsible for a portion of local government expenditures. Between 1947 and 1987, the central government provided a total of 27.3 billion yuan in assistance to Inner Mongolia, and the transferred value of goods that the autonomous region shipped (in an irrational price ratio between raw and processed materials industries and processing industries), plus financial outlays for central government personnel stationed in Inner Mongolian entrepreneurial units totaled 18.77 billion yuan, or 6.7 percent of national government

assistance. In addition, the architecture of the government financial system in minority national regions must fully reflect the spirit of the constitution and the minority nationalities autonomy law. In this regard, if a tax-sharing system is instituted, consideration should be given to just central government taxes and local taxes, no taxes being shared between the two. In order to give substance to central government unified leadership, the central government's authority to control central government taxes may be maintained, but all tax revenues should go to the local jurisdiction, be levied through the local jurisdictions, and be made a part of local budgets, the central government budget carrying them as expenditures. When revenues still fail to cover expenses, the central government can provide a fixed amount of assistance.

## Industry

### Output of Main Chemical Products in Jan-Mar

HA 1604124192 Beijing CEI Database in English  
16 Apr 92

(Text) Beijing (CEI)—Following is a list of the output of main chemical products in January-March period of 1992, released by the State Statistical Bureau.

Item	Unit	1,167	1,167
Chemical fiber	10,000 t	52.43	44.31
Sulphur and	10,000 t	133.08	201.86
Basic salts	10,000 t	12.61	7.85
and			
Soda ash	10,000 t	102.51	94.80
Cause salts	10,000 t	23.04	31.63
Ethylene	10,000 t	60.01	65.07
Calcium chlo-	10,000 t	54.60	52.45
ride			
Pure benzene	10,000 t	21.88	19.47
Synthesis	10,000 t	550.25	521.62
ammonia			
Chemical fertil-	10,000 t	497.61	470.60
er			
of Nitrogen	10,000 t	384.37	365.43
Phosphorus	10,000 t	111.08	101.61
Phosphate	10,000 t	0.28	0.26
Chemical per-	10,000 t	7.41	6.47
oxide			
Paint	10,000 t	21.52	20.29
Dyestuff	10,000 t	1.40	1.48
Pharmaceuti-	10,000 t	4.92	4.53
cal			
Chinese patent	10,000 t		6.09
medicines			
Tyre	10,000 pc	1202.82	824.93

Item	1980	1987	1990
Synthetic rubber	10,000 t	9.75	8.04
Film	10,000 m	4310	31.51
Color film	10,000 m	3824	20.64
Plastics	10,000 t	21.23	84.31
Notes: 1 ton = 1000 kg; 1 meter = 100 cm			

## Foreign Trade, Investment

### Wu Yi on Reform of Foreign Trade System

92CE04054 Beijing GUANJI MAOJI /INTERTRADE/ in Chinese No 12, 27 Dec 91 pp 4-5

[Editorial by Wu Yi (0702 0308), Deputy Minister, Ministry of Foreign Economic Relations and Trade "Past Effectiveness and Future Direction of China's Foreign Trade System Reform"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, reform of China's foreign trade system has gone through nearly 13 years of exploration and practice in which positive achievements have been scored. Before and during the trial and exploration stage prior to 1982 reform consisted mostly of the delegation of foreign trade operating authority to change the highly centralized operating system. The single command plan system was reformed, a combination command-style plan, guidance-style plan, and market regulation system was instituted to replace it, ways of linking industry and trade (technology with trade, and agriculture with trade) were explored, foreign experience was borrowed, policies encouraging exports were adopted, and the foreign trade management system was reformed, a two-tier central government and provincial system operating under unified policies and unified plans were instituted. These reforms gradually changed the formerly centralized, undiversified, over-controlled foreign trade system. In 1988 China began to put into effect a foreign trade contract management responsibility system, which further brought into play the positive role of all jurisdictions and all agencies in supporting and giving impetus to development of foreign trade, stirred the interest in the various kinds of foreign trade enterprises and export producing enterprises in expanding their exports, and played a positive role in perfecting foreign trade enterprises' internal management system, in enhancing their vitality, and in expanding the import and export trade. During the past three years the import-export trade has seen further development. Both the trade balance and the foreign exchange balance have improved with each passing year, foreign exchange reserves have increased, the import-export commodity mix has improved markedly, and the percentage of primary products among export commodities has declined each year as the percentage of manufacturers has steadily risen. In 1990 the import-export trade totaled \$85.12 billion for a 4.1 fold increase over 1978. This included a 5.3 fold increase in

exports, and a 3-fold increase in imports. Practice has demonstrated marked results from reform of the foreign trade system.

Nevertheless, numerous imperfections remain in the foreign trade system. After summarizing experiences during the past several years, particularly experiences with the foreign trade contract management responsibility system during the past three years, the State Council decided on further reform and perfection of the foreign trade system beginning in 1991. The guiding thought behind this reform is as follows: To accelerate progress in reform and opening to the outside world while continuing the policy of improving the economic environment and rectifying the economic order, as well as intensifying reform, to continue to make the most of central government, interest of local governments and enterprises in developing foreign trade, to make better use of improvement in the quality of export commodities and economic returns as a basis to expand exports, for readjustment of the import-export commodity mix, and for establishing and perfecting a mechanism whereby foreign trade enterprises are responsible for their own profits and losses. In this way, foreign trade can gradually follow a path of unified policies, equal competition, autonomy in decisionmaking, responsibility for their own profits and losses, linking industry and trade, and promoting the agent system.

These reforms, which abolished state export subsidies and made enterprises themselves responsible for their own profits and losses, have spurred business enterprises to improve their administration and management, have helped increase economic returns, and have maintained a steady increase in exports. They have produced uniformities among different areas in the percentage of retained foreign exchange, thereby setting the stage for equal competition and for making enterprises responsible for their own profits and losses. While continuing to order and restructure the various kinds of trading corporations throughout the country, and strictly appraise and ratify their sphere of operations, support has been given to large- and medium-sized state-owned enterprises and entrepreneurial firms engaged in intensive production whose product technology is relatively complex, who have a relative large export volume, and who meet conditions for engaging in the export trade themselves so that they can manage the export of products that their own enterprises export. A good job continues to be done in running foreign exchange allocation markets, permitting foreign exchange to be allocated across provincial and municipal lines. The principle of "basic balance between imports and exports" has been followed to ensure a suitable scale of imports, rational adjustments being made in the make-up of import commodities.

This reform marks a major turning point for China's foreign trade system in that it embodies the principle of combining a plan economy with market regulation. It devotes attention to macroeconomic measures such as the application of foreign exchange rates and customs duties to the regulation of foreign trade for an expansion

of the role of market regulation. As a result, China's foreign trade system better meets international trade standards, and is better able to take part in international exchange and the division of labor. It embodies the principle of making the most of the interests of the central government, local governments, and enterprises, both ensuring the state's macroeconomic regulation and control capabilities and also ensuring the fundamental interests of local governments and enterprises.

The new foreign exchange system helps foreign trade enterprises be responsible for their own profits and losses under conditions of equal competition, helps thoroughly smash the egalitarian "eating out of a large common pot," improves foreign trade enterprises' administration and management, as well as their economic returns, and effectively overcomes problems such as jacking up prices, panic buying, lowering prices in competition with other Chinese export enterprises for foreign sales, and a chaotic business environment, all of which have extremely important significance. The new system helps get the best advantage of the substantial capabilities of processing industries, the teeming vitality of township and town enterprises, and copious manpower resources, in order to produce an expansion of finished industrial product exports. It helps readjust the structure of the country's export industry and the kinds of products it produces for an increase in economic returns from exports. The new system means increased vitality for enterprises. More foreign exchange is available to enterprises for imports after all else has been tallied. It helps attract more foreign investment in China, and it helps the three kinds of partially or wholly foreign-owned enterprises balance foreign exchange for a further expansion of the scale of foreign investment in China. It also helps reform the entire economic system, accelerating the pace of reform and opening to the outside world.

Currently other measures and methods associated with the new foreign trade system are in place. The new foreign trade system is operating normally, the foreign trade operating order has taken a turn for the better, economic returns have risen, and both imports and exports have increased substantially. In July 1991 the country's import and export volume increased, 7.8 and 17 percent respectively, over the same period in 1990.

Great advances have been scored in reform of the foreign trade system, yet reform will continue. The road ahead is still very long, and the tasks are very daunting. For some time to come, we will focus on the reform of enterprises' internal mechanism, improvement of macroeconomic control, and reform of the export management system in the intensification of foreign trade system reform. In the process of moving ahead with making foreign trade enterprises function more like industries, consolidating them into blocks, and making them more international, reform of their internal mechanism will be emphasized in an effort to improve their self-development capabilities, improve their internal management, improve their awareness of service, better combine trade and industry,

and improve enterprise quality. Foreign trade macroeconomic control will be improved following scientific, strict, standard, and workable principles, and the foreign trade management system will be reformed, the coordination and service mechanisms of chambers of commerce being further perfected and enhanced. Under guidance of state industrial policies, mostly economic levers will be used to regulate imports, to improve the import management system, and to encourage imports that are in keeping with the country's industrial orientation. The advantages of the country's planned commodity economy founded on public ownership will be used to the fullest, existing foreign trade corporations used as turnkeys for the development of a number of fairly powerful, externally oriented entrepreneurial blocks or partnership corporations that combine trade and industry (or agriculture and technology) in order to maintain the sustained steady and coordinated development of China's foreign trade in the continued building of a distinctively Chinese foreign trade system in keeping with international trade standards.

## Agriculture

### Problems, Solutions in Urban Meat Price Decontrol

92C70364 Nanchang JI HUA YUEKUAN /PRICING MONTHLY/ in Chinese No. 1, 15 Jan 92 pp 19-20

[Article by Li Yesheng (2021 2814 3932) "Urban Meat Price Decontrol: Problems and Solutions"]

[Text] In macroeconomic terms, the total decontrol of urban pork prices in 1990 has helped adjust the rural economic structure, ease pork shortages in the cities, and lessen the burden on government coffers. Practice proves that this move in reform is correct in both its direction and premise. Nevertheless, a number of unanticipated problems have arisen after pork prices were decontrolled. Essentially the problems are those of a pork market that has not developed properly, leading to chaos in the buying and selling of pork, the absence of a level playing field, prices that have remained stubbornly high, and declining business and shrinking profits for the state-run food sector. No doubt these problems are unavoidable in the course of reform. But if this situation continues unchecked, the urban pork market will be disrupted, to the detriment of both public stability and economic development. Accordingly, I believe we should think about the problems that have arisen in the wake of the decontrol of urban pork prices and put forward appropriate countermeasures.

#### 1. We Must Enhance Our Understanding of Urban Meat Price Decontrol

The decontrol of urban meat prices is an inevitable product of the development of the commodity economy and the reform of the food circulation system. It cannot be rejected because of this or that problem in the food

circulation system in favor of a return to a state monopoly of the purchase and marketing of grain. The reasons are as follows:

1) The utter dissolution of the "team as the foundation" system in the countryside and the introduction of the "household contracting" system across the board has undermined the grass-roots organizational foundation of the state monopoly of purchasing and marketing. In the wake of the adoption of household contracting, how many pigs a peasant raises is now directly proportionate to the level of his income. Moreover, the interests of the peasant are now directly linked to those of the state. The upshot is twofold. On the one hand, the peasant is now much more motivated to maximize his profit from pig raising, making administrative interference in the production of pigs ineffective. On the other hand, peasants now do not want to have anything to do with prices that are divorced from value and regard any order that violates the principle of profit maximization as unacceptable.

2) Changes in the macroeconomic environment, such as the introduction of finance contracting and the strengthening of the mechanism for increasing enterprise profits and personal earnings, have fundamentally altered the larger environment where the state monopoly of purchasing and marketing operates.

3) The food company today is an independent commodity operator that has decision-making authority in its operations and is responsible for its own profits and losses. Its very nature determines that it can no longer remain a mere agency of the state. Given the existence of relatively independent sectoral interests, to restore the state monopoly of the buying and selling of pork can only mean giving the food company such a monopoly. This will neither help stabilize meat prices nor add to the sum of social and economic benefits. The only winner will be the enterprise that stands to reap the benefits of monopoly.

We can thus see that the restoration of the state monopoly of the purchasing and selling of pork cannot solve the problems that have arisen following the decontrol of pork prices. The only hope lies in deepening food reform and developing the pork market properly.

## 2. Inability of the State-Run Food Sector To Hold Down Prices and Its Potential Effects on Meat Prices

For decades before the decontrol of meat prices, the urban state-run food sector was praised for its role in price control. Yet practice makes it clear that the state-run food sector was not effective in price control. In the 15 months since price control of meat was lifted (from July 1990 to September 1991) in Huangshi City in Hubei Province, the average price at which live pigs changed hands was 3.52 yuan per kilogram, the manhai [M29 4101] differential being 61 percent. The retail price of packaged meat was 5.68 yuan per kilogram. The overall price level was 2 percent higher than that on the country market. The market share of the Huangshi City Food

Company is now 25 percent, down from 70 percent before price deregulation. The reasons are as follows:

1) The absence of a solid material base. In the past, the Huangshi City Food Company bought and sold over 100,000 pigs each year, all allocated by the provincial company. After price decontrol, the food company could no longer depend on the state as a source of supply and has to procure on its own both inside and outside the province. However, the elongated nature of the circulation system, the high costs of circulation, and the high costs of processing have combined to keep its meat prices uncompetitive on the market. In 1991, Huangshi Food Company began to emphasize the freshness of its products and adopted a small-profit-but-high-turnover strategy in a bid to gain a competitive edge, but to no avail.

2) The absence of an internal mechanism for controlling prices. In other words, there is a conflict between the role and interests of the food company as an independent commodity operator responsible for its own profits and losses and its role and interests as an agency for holding down prices. In the past the prices at which it bought and sold pork bore no relationship to one another. Any losses were made up by government subsidies, which amounted to 25 million yuan between 1985 and 1989. After price control was lifted, pork price subsidies were abolished. Naturally an enterprise must adjust prices in accordance with the law of supply and demand, otherwise it would not be able to cover all its expenses. The finance department in Huangshi City each year appropriates a specified amount as "pork reserve fund," which, however, does not amount to a "pork price regulating fund." When a single enterprise is assigned two mutually exclusive tasks—being responsible for its own profits and losses and keeping prices down, it would have trouble reconciling one with the other. In other opened cities the situation is the same. The food sector has neither the economic muscle nor the enthusiasm to hold down prices. Within Huangshi City, the state-run food sector has lost its ability to keep prices down. Its market share is shrinking. The ratio between the number of self-employed food workers and the number of workers employed in the state-run food sector is 6 to 1. The issue, in the final analysis, has to do with the mechanism for regulating and controlling the market. Should somebody be held responsible for keeping prices down? Who? How? All these issues need to be examined. Pig raising is highly dependent on grain production. Generally speaking, grain output is in direct proportion to pig production. In other words, when grain output goes up, so does pig production, and vice versa. Traditionally it has been difficult to keep the supply and demand of pork in balance in urban areas. When there is an ample supply of pork, prices stabilize. But when there is an imbalance between supply and demand, prices are bound to rise. We can thus see that we cannot take away the function of the state-run food sector to keep prices down. The question is finding a way to reconcile the profit-making motive of the commodity producer with

the practical benefits it will derive from keeping prices down. As long as this issue is unresolved, the state-run food sector will remain ineffective in stabilizing prices.

### 3. Post-Meat Price Decontrol Strategy

Still in its infancy, the urban pork market today remains an immature market. Its principal participants are not well defined. Its structure is less than sound. Its rules of operation have not been standardized and there is a woeful lack of regulation and control mechanisms. The various problems and contradictions that have surfaced following price decontrol to a large extent reflect the contradictions between a planned management system that has yet to be reformed and a developing and still incomplete market system. In the course of deepening reform, therefore, we need to continue our search for a way to expedite the healthy maturation of the urban pork market so that the market operating mechanism helps facilitate the development of the socialist planned commodity economy.

This is the strategy to develop and perfect the pork market.

1) Define who the players in the pork market are. Players in the pork market refer to participants in and parties to market activities. By the standards of the modern market, a market player refers to the enterprise organization or operator that has independent property rights, is constituted in accordance with the law, operates independently, and is accountable for its own profits and losses. Clearly, an enterprise must satisfy some specified conditions before it can enter the pork market and take part in its activities. We must ban unlicensed operators and crack down on tax cheaters and tax evaders. Enterprises and operators qualified to operate on the market must regularize their own business conduct as well as comply with the rules of the pork market.

2) Establish a wholesale pork market. It is inevitable that a pork market will be established based on the unique environment of the urban pork market. Moreover, it must be developed into an entrepreneurial, service-oriented, and not-for-profit market. The government may play a leading role in the market and a membership system may be instituted. State enterprises and collective

enterprises as well as individuals may buy and sell on the market and compete on a level playing field.

3) Create a regulating fund for byproduct prices. To keep prices down on the market, we should pay attention to the peasants' long-term behavior in live pig production and the tolerance threshold of urban residents. When the supply of pork exceeds demand, the regulating fund should be tapped to protect the peasants' interests. When the supply of pork cannot keep up with demand, subsidies may be used to prevent prices from rising, hurting the consumer's interests. The sources of the regulating fund are: 1) A one-time appropriation by the local finance department; 2) a fixed percentage of the profits of the operators, to be collected annually; 3) a levy on newly built urban capital construction; and 4) payments by units and individuals who have children outside the plan. Also, legislation should be drawn up to institutionalize and regularize the regulating fund.

4) The internal operating mechanism of the state-run food sector needs to be adjusted. The pork market is highly competitive and is getting more and more diversified. The food sector must end the lack of variety in its offerings without delay. By "breaking up the whole into parts, turning raw meat into cooked food, transforming low-grade meat into fine products, delicacy, and making something precious out of waste materials," it can guide and stimulate consumption. It should make the most of its own strengths and expand its scope of operations by going into such areas as quick-defrost food and vegetables and related food products. The production of pigs is decentralized, while consumption is concentrated and highly seasonal. Secure an ample supply of merchandise at the right time, bearing in mind these characteristics, and restore its image as the "national team."

5) Establish a market regulating and control mechanism. Since the city is far from being self-sufficient in pork production, it is difficult to maintain a balance between pork supply and demand. The government should increase investment in the construction of pig production bases as appropriate and improve the management of the pork market. At the same time, it must give the state-run food sector a certain amount of power and interests to enable the latter to keep prices down. Only thus can we create a new kind of macro regulatory and control system and a competitive microeconomic base and stabilize the overall price level.

**Security Official on Censorship in 'Secret' Talk**  
HK1103074392 Hong Kong CHENG MING in Chinese  
No 172, 1 Mar 92 pp 33, 34

[Article by Chih Chih (2784, 4160). "Inside Story of Letter of Censorship Department Under State Security Ministry"]

[Text] Not long ago, this reporter went to the north and held secret conversations with an official of the Beijing Municipal State Security Bureau. He told me some inside stories about the CPC State Security Ministry (SSM), and I thus learned the shameful deeds of the CPC regarding the illegal censorship of correspondence.

Our conversations began with topic of the letters sent by overseas pro-democracy organizations to CPC members some time ago. They are published here by means of dialogues for our readers.

**Impact of "4 June" on the SSM**

[Reporter] One of your SSM colleagues said that through different channels, some overseas people recently sent a number of letters to officials at different levels on the mainland, propagating peaceful evolution. Do you think this has an impact on the CPC?

[SSM official] In fact, it is very difficult for the letters to reach the addressees. Pro-democracy people seem to have a very limited knowledge of the SSM.

[Reporter] Of course, the SSM is the most secret of secret service organizations. Ordinary people do not know much about it.

[Official] Not necessarily. It is possible for pro-democracy people to get into the SSM. Times have changed, and so have people's thinking. There are also some democratic-minded people in the SSM, for instance Yu Qiangsheng, who fled several years ago. Another example is that in the wake of "4 June," many SSM personnel helped pro-democracy personalities flee China. This black hand of the CPC is getting less nimble.

**Secret About Code Name "804"**

[Reporter] Why is it difficult for the letters of overseas pro-democracy organizations to reach the addressees?

[Official] The SSM has a correspondence censorship department, mainly responsible for opening and censoring citizens' letters. This top secret unit is code-named "804" and is rarely known. Even SSM personnel have a vague idea of it. This department uses very strict discipline and secret-keeping systems.

[Reporter] The correspondence censorship department, which you have just mentioned, is no \_\_\_\_\_ to many people at home and abroad, and never \_\_\_\_\_ the CPC's practice of opening and censoring overseas correspondence any secret at all.

[Official] In fact, Chinese citizens and overseas compatriots know its surface, not its inside story. My nephew is studying in the United States. At one time, he asked me a strange question. "Since there are a great number of correspondence each day, how is it possible that SSM personnel open and censor every one of them? If it is possible, can they finish the censorship process?" In the case of Beijing Municipality, there are at least tens of thousands of overseas correspondence each day. How much manpower and time is necessary if all the letters are censored?" Therefore, my nephew inferred that the correspondence are only spot-checked because it is impossible to check them all. Another reason for his argument is that some time ago, he sent a letter to his mother, enclosing \$100, and his mother received it. Therefore, he believes that SSM personnel did not open and censor it.

**Correspondence Censorship Department Has a Huge Staff**

I think many people abroad think the same way as my nephew does. They naively believe that the CPC only opens and censors some highly suspicious correspondence. Some people even believe that the post and telecommunications units do this job because they think that the correspondences are received and sent via them, and that it is impossible the SSM gets the correspondence. I think it is because of this belief that overseas pro-democracy personalities launched the letter campaign. Perhaps they think that they can somehow get some letters received despite the strict censorship. However, that is naive thinking. They have underestimated the SSM's strength. I tell you what, all overseas correspondence are opened and censored by SSM personnel. Since the pro-democracy movement of 1989, priority has been given to the censoring of correspondence coming in and out of universities and colleges. No letters go unopened and unchecked. The SSM Correspondence Censorship Department has a very large staff. The number can scare you if you know it. In big cities such as Beijing, Shanghai, and Guangzhou, correspondence censorship departments there have a staff of over 1,000 people each. The Shanghai Municipal SSM Correspondence Censorship Department at No. 75, Jiangsu Street, Shanghai can open and censor tens of thousands of letters, so we can see its size.

**Give a False Impression Intentionally**

Upon receipt of letters from post and telecommunications departments, SSM correspondence censorship departments open and censor them, and then hand them back to the departments for delivery. The SSM does not retain letters with valued certificates, banknotes, and goods. It lets go those letters which constitute general criminal offenses. It only takes away those letters the CPC deems to be "reactionary" propaganda. For those "problem" letters, correspondence censorship departments will only make photocopies of them, and then pass them back and have the photocopies sent to the investigation department. Seeing that their letters, even those

enclosed with prohibited goods, are received without delay, many people who are ignorant of the facts, therefore, always maintain that the CPC will not be so bold as to do such mean things as willfully infringing on citizens' privacy and interfering in their freedom of correspondence. In fact, they have been deceived by the CPC-created false impression.

[Reporter] But, the PRC Constitution provides that judicial organs have the right to open and censor citizens' correspondence.

**Practice of Opening and Censoring Letters, As If They "Pass Through Customs," Contradicts Constitution**

[Official] The provision in the constitution is meant for criminal suspects (note: Article 40 of the Constitution says "The freedom and privacy of correspondence of the citizens of the PRC are protected by law. No organization or individual may, on any ground, infringe upon the freedom and privacy of citizens' correspondence except in cases where, to meet the needs of state security or of

investigation into criminal offenses, public security or procuratorial organs are permitted to censor correspondence in accordance with procedures prescribed by law"). The CPC's practice of opening and censoring the correspondence of all citizens as if "they pass through customs" violates the constitution and tramples on human rights. The fact that the CPC legally specifies that judicial organs have the right to open and censor citizens' correspondence is intended for shirking the responsibility of secret service organs for opening and censoring letters. If their act is discovered by citizens, they will cunningly say that the deeds of criminal suspects must be examined.

[Reporter] Thank you for the frank introduction. I must let the world know about the CPC's hideous deeds of trampling on human rights and interfering in the freedom of correspondence. This will be a direct, powerful refutation of the CPC's white paper on human rights status!

## Central-South Region

### Henan Secretary on Better Work Style

HAD/0403/492 *Bruing QIUSHI* in Chinese No. 3,  
1 Feb 92 pp 33-36

[Article by Hou Zongbin (0186 1350 6333), Henan Provincial CPC Committee Secretary, "Make Solid Efforts To Strengthen Building of Ideological Style—Discussing 'Three Preventions and Four Solids'"]

[Text] Doing well in the building of an ideological style is a major guarantee in our implementation of the correct line, principles, and policies and the realization of the overall tasks and overall goals of the party. Since the second half of 1990, we have implemented the spirit of the Sixth, Seventh, and Eighth Plenary Sessions of the 13th CPC Central Committee, have proceeded from the actual situation of work in Henan and the ideological style situations among cadres at every level throughout the province, and have conducted ideological style construction work, focused on the "three preventions and four solids" (preventing subjectivism, formalism, and bureaucratism and making solid efforts, doing solid work, grasping solid implementation, and seeking real results). The aim of this is to guarantee the even better implementation of the line, principles, and policies of the party, and to realize the goal of "uniting in pushing ahead to invigorate Henan."

It should be affirmed that since the Third Plenary Session of the 11th CPC Central Committee, there has been a great improvement in the ideological style of the broad number of cadres. However, the influence of subjectivism, formalism, and bureaucratism can still be seen in some areas and units and on some issues. This is a serious obstacle to our implementation of the line, principles, and policies of the party in strengthening links with the masses, and in doing well in various areas of work. Thus, we must unwaveringly guard against and overcome this influence.

In preventing subjectivism at present, it is important that we overcome subjective biases in work. Subjectivism is an idealist and metaphysical ideological practice and its basic characteristic is a division between the subjective and the objective and the divorcing of cognition and practice. At present, the manifestations of subjectivism are seen in many spheres, the most prominent of which are as follows: There is a one-sided understanding of the basic line of "one focus and two basic points" set down by the 13th congress, and there is more attention being paid to material progress than to cultural and ideological progress. In work, either there is over-anxiety for results without regard for the objective conditions and unrealistic, overly high demands are put forward and there is blind and foolhardy work, or else when the objective conditions exist and things can be realized through efforts, there is no effort made, people follow their same old routine, and nothing gets done.

When we stress guarding against subjective one-sidedness we are requiring cadres at all levels to use the position, viewpoints, and methods of Marxism to look at problems and guide work objectively in an overall way and constructively. In their treatment of people and work matters, they must guard against just looking at the phenomena and ignoring the essence, just looking at the minor currents and ignoring the mainstream, just grasping a small aspect and ignoring the rest, or using the partial to sum up the whole. In work, we must adhere to the idea of specific analysis of specific questions, combine general calls with specific guidance, and guard against "cutting with one knife." We must not require uniform measures and practices in all work.

Preventing formalism requires overcoming those bad work styles of one-sidedly seeking form, doing things perfunctorily, and not stressing real results. For example, when implementing the spirit of directives from above, and combining this with the actual situation of various localities, some cadres just act as "receipt and dispatch offices" and "megaphones," passing on the requirements verbatim and acting mechanically and do not put any efforts into resolving actual problems. Comrade Mao Zedong criticized this workstyle as "the most clever way to oppose upper-level directives or to slow down upper-level directives." Also, some people see the holding of meetings and the issuing of documents as the major or sole content of leadership work, and they feel that as long as they hold meetings and issue documents, they have done well in their work. The masses criticize this work-style by saying that "the determination is just words, the action is all done at meetings and the implementation is all on paper." This is indeed a major reason why some of our work cannot be properly put into practice or why only meagre results can be achieved. Some upper level leading organs, when examining leadership work also only stress appearances and form and ignore the questions of quality and content. For example, some upper-level departments when examining grass-roots-level work, do not look at the results of work done or whether or not the actual problems have been solved, but only look at how many standard organs have been established and how many meetings have been held. The reason some comrades are affected by formalism is sometimes a problem on the leadership level, and it is not understood that the form must serve the content. In other cases, it is mainly a problem of individuals, with some trying to realize "achievements", to seek an undeserved name, and to seek quick success and instant benefit. Thus, they make a fuss about the superficial and even resort to deception. Formalism seriously cuts one off from the masses, harms the enthusiasm of the masses, obstructs the implementation of various kinds of work and harms the party's cause. It must be firmly guarded against and overcome.

In preventing bureaucratism, it is necessary to further tighten links with the masses, which demands clean and diligent administration and the raising of work efficiency. In 1963, Comrade Zhou Enlai made a special

speech on the question of opposing bureaucratism. He said that bureaucratism is a political illness which leading organs can easily fall into and that it is a legacy of the exploiting classes and has far-reaching effects. He also listed 20 manifestations of bureaucratism. He spoke in extremely vivid and powerful terms and rang the bell of vigilance for us in opposing bureaucratism. At present, in opposing bureaucratism, we must especially stress the resolution of three problems: 1) Among the whole body of cadres, it is necessary to prevent the ideas of being high and mighty, and that "officials are lords" to prevent cadres from becoming divorced from the masses and reality. Every cadre must firmly serve the people, go deep into reality, go deep among the masses, concern himself with the hardships of the masses, listen to the calls of the masses, find ways to solve the "key" and "difficult" problems advised by the masses, firmly curb those things which harm the masses' interests, actively propagate information to the masses and organize the masses, and work hard to implement the line, principles, and policies of the party. 2) Leading groups must guard against the spread of the "local magistrate work style." The provincial party committee has required of the entire province that all levels of leading organs seriously implement Comrade Deng Xiaoping's directive that "leadership means service," establish a spirit of "truth-seeking, honesty, efficiency, and serving the people." The cadres must be responsible to the party, must carry out the duties of their posts and truly work for the grass-roots level and the masses. They must not have the masses feel that "the door is difficult to enter, it is difficult to gain an audience, and matters are difficult to handle." It is necessary to act resolutely and speedily, raise work efficiency, and not procrastinate. Cadres must not continue putting things off, so they end up not being done. In relations between departments, each must fulfil its own function and fulfil its responsibility. They must not pass the buck or seek private interests. 3) Efforts must be made to eradicate empty talk and work must be firmly and properly grasped. In their work, cadres at all levels must not only talk about success, but must achieve success. Actions must be in line with words, one must practice what one advocates, and all work must be fully and earnestly carried out.

Subjectivism, formalism, and bureaucratism are all intimately connected. Subjectivism is an important ideological basis of bureaucratism, bureaucratism is a major political manifestation of subjectivism, and formalism is a reflection in workstyle of subjectivism and bureaucratism. In stressing prevention of these three "-isms," a major aim is to form within the cadre ranks a fine workstyle whereby work is done assiduously and in a down-to-earth way and work measures are firmly carried out. Thus, at the same time as preventing subjectivism, formalism, and bureaucratism, we have put forward the requirement to "make solid efforts, do solid work, grasp solid implementation and seek solid results."

In making solid efforts, the key lies in handling matters in accordance with objective patterns, combining the

line, principles, and policies of the central authorities with the realities of the localities, motivating the enthusiasm of the broad number of cadres and the masses, and struggling to realize the overall tasks and overall goals of the party in the new period. It is not possible to make solid efforts without a unified and stable environment. Unity and stability are a precondition for doing solid work. Thus, in 1990, the provincial committee put forward "unite in pushing ahead to invigorate Henan" as the general guiding idea in the work of the whole province. In this way, the broad number of cadres and the masses understand that only with unity can we struggle forward and only by struggling forward can we realize invigoration. We certainly must not say anything which is disadvantageous to unity in struggling forward and must not do anything which is disadvantageous to unity in struggling forward. The various levels of party committees and governments throughout the province have seriously examined factors of instability and resolved the problems of lack of unity in many units. In making solid efforts, there is also a need to have a correct goal and aim. This goal and aim must accord with reality and must combine subjective dynamism with objective possibilities. We have, in accordance with the central authorities' arrangement for realizing the second-step strategic goal in socialist modernization, proceeded from our province's reality and put forward a "one high, one low" strategic goal for economic development. That is, in the next 10 years, the speed of economic development in the whole province will, under the precondition of raising economic efficiency, be slightly higher than the national average level, while the natural growth in population will be slightly lower than the national average level. Through the common efforts of the people of the entire province, this goal can be attained. If one is divorced from reality and the goal is too low, not only will it slow down the realization of a comfortable living standard throughout the country, but will also cause the masses to lose confidence. On the other hand, if the goal is too high, and can in no way be realized, it will only be bragging and involve false efforts. Of course, once there is a correct goal, it will be necessary to implement realistic and effective measures to guarantee its realization.

Making solid efforts is for the purpose of doing solid work. Only if one wholeheartedly does solid work for the masses will it be possible to implement the basic aims of our party. Marx said one real action is more important than a dozen programs. At present, our target is to lead the masses to a comfortable standard of living. A comfortable standard of living is not going to drop from heaven. It can only be achieved by relying on solid and arduous struggle. Without work, there will be no Marxism-Leninism to speak of. Lenin criticized those "people who like to use discussion to replace actions and use empty talk to replace work." If we do not resolve any real problems, it will harm the people, harm our tasks, and harm the country. The masses express great objections in respect of those cadres who speak much, do little or even speak in hollow words and do nothing. The masses most

welcome comrades like Jiao Yulu [3542 3940 4389] who quietly immerse themselves in hard work and do solid work for the people. In doing solid work, it is necessary to do those things which the people urgently require to be resolved, do those things which will benefit many of the masses, do those things which accord with the long-term interests of the masses and do those things which can be done. Cadres at all levels must think about what the masses are thinking about and concern themselves with those things which the masses are concerned with, do what the masses need, and firmly serve the grass-roots level, serve production and serve the masses. This year, the province has sent a large number of cadres to the villages to engage in socialist ideological education. In this, an important task is to stress the resolution of outstanding problems which exist locally and to do real work for the masses. For example, in respect of the small number of paralyzed village-level organizations, efforts will be made to cure the paralysis and to do well in building leading groups, so that that there are people to manage work and people to grasp production. In villages where cadres are not open in their handling of matters and are not clean in their financial dealings, efforts will be made to sort out financial affairs and the accounts will be put into order. In the small number of villages where social order is chaotic and evil trends and unhealthy practices proliferate, we will start by restoring order, striking at criminals, and punishing evil persons. There will be a comprehensive sorting out of these villages, and afterward the cadres will engage in socialist ideological education. The province and all cities and prefectures have stressed the grasping of rectification work in close to 300 backward villages where problems are quite prominent and affect stability. In this, quite good results have been achieved and the work has been welcomed by the masses. In advocating solid work, we want to firmly change the situation where it is considered that doing work or not doing it is all the same and where it is considered that doing work well or poorly is all the same. Party organizations at all levels must clearly support those engaged in work, educate those who stand by looking on, and root out troublemakers. At present, there are a small number of people who do not carry out work themselves, do not let others carry out work, and spend all their time finding fault with those who do work. These attitudes are wrong. We must firmly eliminate this sort of interference, help those who act properly and eliminate the wrongdoers, and form a fine workstyle of working together and doing pioneering work with one heart and one mind.

Grasping solid implementation means firmly grasping the implementation of the various principles and policies of the party. Since the Fourth Plenary Session of the 13th CPC Central Committee, the central committee has made a series of important decisions, the major policies and principles of the party and the state have been further clarified, and they have gained the support of the whole party and the whole people. As far as Henan is concerned, since the Fifth Provincial CPC Conference in 1990, the guiding ideology and work ideology for work

throughout the province has been put in order and overall arrangements for the task of building the two civilizations have been made. The major task at present is to fully implement the principles and policies and the goals of struggle already set down. This is a problem about which the broad masses are greatly concerned. In summing up past lessons, the reason some work did not achieve its anticipated results was often not because the ideas or policies were bad, but because the implementation of work was not grasped firmly. At present, we are implementing the spirit of the Seventh Plenary Session, the Eighth Plenary Session and the central work conference, and striving to realize the Eighth Five-Year Plan and the 10-year program. This requires firmly grasping the task of carrying out the work. When arranging tasks, all levels of leading organs must not only clearly set down the tasks and goals so that the grass-roots levels know what is going on, but as far as possible must let everyone know how to do this work and how to carry out the tasks, implement the measures and fulfil their responsibilities. That is, as Comrade Mao Zedong said, if we are to complete the task of "crossing the river," we have to resolve the problem of "boats" and "bridges." In terms of work method, we must persist in combining leadership with the masses, combining general calls with specific guidance, stress the summing up of the fine experiences created by the grass-roots levels and the masses, spread typical examples to wide areas, stress the grasping of major contradictions, and break through at key points to bring changes to the overall situation. In this, we have to go one step at a time, grasp one link after another, and ensure proper arrangements and proper inspection. For example, on the major question of family planning work, which affects the fate of Henan's development, the provincial committee and the provincial government have required that this be implemented fully and firmly and that those phenomena involving law-breaking or discipline violation and all sorts of unhealthy tendencies which harm the family planning work must be seriously examined and handled. We have propagated the experiences of some counties where the cadres have taken the lead, have set down firm requirements and seriously implemented all family planning measures. Also, the provincial people's congress has organized relevant investigations deep in the grass-roots areas, so that a turn for the better has been seen in family planning work, which is known as the "number one difficulty throughout the country." Also, in 1991, some parts of Henan suffered serious drought. This brought great difficulties to economic development and the people's lives. On the basis of investigative research, the provincial committee and provincial government set forth in a timely way coordinated policies for disaster relief, supporting the poor, and recovery and development, and convened an on-the-spot work meeting and divided tasks among the various departments directly under the province as well as among the subprefectures and counties. At the same time, we organized cadres to go to the disaster areas and to station themselves in villages so as to handle things and to organize and implement measures whereby the people could provide for and help themselves by

engaging in production. In this way, "the national disaster victims were not disaster-struck" and the "flood troubles did not result in turmoil." Some comrades said with deep feeling: "The work involved extreme difficulties, but truly grasping solid work was not difficult".

Seeking solid results is the point of departure and point of return in all our work. The aim of making solid efforts, doing solid work and grasping solid implementation is to seek solid results. Seeking solid results requires proceeding from the basic interests of the people, maintaining a unity between responsibility to the party cause and a responsibility toward the masses, guarding against the desire to seek an undeserved name, being overanxious for swift results, and engaging in short-term actions. Some comrades, after taking up new leadership posts are anxious to "realize achievements" and put their efforts into things which require little effort and see swift results, while they overlook the basic and essential work which requires long-term arduous efforts. Although these cadres may in the short term see some superficial "achievements," they often bring harm to overall and long-term interests. This practice is not desirable. In our work, we must not seek undeserved reputations and instead should seek solid results. In research and deployment work, we must consider actual resources and in investigation and leadership work, we must also stress real results. We must take actual results as the standard in assessing all work. If engaged in economic work, we must stress economic results. If engaged in party building we must look at whether the leading groups have cohesion and fighting capacity, whether the party members play their role as models, and whether all aspects of work are being improved. Upholding the

seeking of solid results is of extremely major significance in our fostering of an ideological style by which to realistically handle work.

Ideological style is, in the end, a question of world view. Thus, we must firmly strengthen cadres' education in Marxism-Leninism, form among the cadres a practice of seriously studying Marxist-Leninist works and studying the works of Comrades Mao Zedong and Deng Xiaoping so the world-view and methodology of Marxism spread deeply into the hearts of the broad number of cadres. At the same time, we must educate the broad number of cadres to go deep into reality, to combine Marxist theory with practice, and to employ the requirements of the "three preventions and the four solids" as restraints upon themselves. Only in this way will it be possible to have the broad number of cadres truly uphold the party's basic aim of serving the masses wholeheartedly, and wholeheartedly seek benefits for the masses. Establishing the ideological style of "three preventions and four solids" is not something which can be done overnight. Rather, it is something which must be developed untiringly. We must not think that we can establish a fine ideological style through one or two study sessions or one or two readjustments. The formation of a fine style must rely on long-term ideological self-cultivation, and requires long-term arduous tempering through work practice. It is also necessary to establish a set of complete systems to ensure that the building of an ideological style long continues to be carried out. For some time to come, we will continue to take the building of an ideological style involving "three preventions and four solids" as a major component in building the cadre contingent, and thereby promote the smooth implementation of the Eighth Five-Year Plan and the 10-Year Program in our province.

### MOF Financial Liberalization Policies

92CE03774 Taipei CHING-CHI JIH-PAO in Chinese  
6 Mar 92 p 4

[Article by Li Chia-yu (2621 0163 6170): "The Ministry of Finance Takes Three Masterful Steps To Liberalize Taiwan's Financial Policies"]

#### (Text)

##### Restrictions on Banks Doing Business in Stocks and Bonds Will Be Lifted in Two Stages, With Domestic and Foreign Banks Being Treated Equally

The Ministry of Finance (MOF) is going to lift within 1 year the restrictions on banks doing business in stocks and bonds. An officer at MOF's Banking Office said that the lifting of restrictions will include foreign banks, and is likely to occur in two stages. That is, restrictions on banks doing business in stocks and bonds will be lifted first on brokerage and free transaction, and then on contracted sale and underwriting.

Ch'en Mu [7115 2606], the director of MOF's Banking Office, said yesterday (5 Mar) that bankers will soon be invited to a conference to further discuss and present their views on the lifting of restrictions on banks doing business in stocks and bonds.

MOF was briefed by three negotiable securities financial corporations on 26 February. Minister of Finance Wang Chien-shien said he hoped that the three negotiable securities corporations of Chunghua, Chunghsing, and Kuo-chi would merge to set up a special bank to do business in stocks and bonds.

These three negotiable securities corporations, however, were not very enthusiastic about merging and changing their institutions. Rather, they hoped that they could take on additional new business, such as taking part in NT currency exchange markets and undertaking foreign exchange market transactions.

At a meeting of the Legislative Yuan Finance Committee the other day, Minister of Finance Wang Chien-shien said that restrictions on banks doing business in stocks and bonds would be lifted within 1 year. The officer at the Banking Office, however, said that, at the speed at which the Banking Office operates, lifting restrictions on banks doing business in stocks and bonds could go into effect within just a few months.

While foreign banks, which had begun the struggle for banks to be allowed to do business in stocks and bonds, all expressed reservations about these steps to be taken by MOF, Chang Hsiao-hen [1728 4423 5571], the deputy director of MOF's Banking Office, said that "this lifting of restrictions will also include foreign banks."

While a final decision is still needed by Wang Chien-shien on whether the lifting of restrictions will occur

gradually or all at once, the officer at the Banking Office said that it is tentatively planned to lift them in two stages.

In other words, restrictions on banks doing business in stocks and bonds will be lifted first on brokerage and free transaction, and then on contracted sale and underwriting. The officer at the Banking Office, however, emphasized that there absolutely would not be much time between these two stages.

##### A Dual-Track System for Issuing Credit Cards Is Favored, With Huach'i Being Granted Special Permission To Set Up Its Own System

MOF policy on issuing domestic credit cards is favoring the establishment of a dual-track system. Consideration is being given to granting permission to the U.S.-run Huach'i Bank, as a special case, to set up its own independent center for processing and issuing Visa cards.

An officer at MOF's Banking Office said that MOF had held a detailed discussion last week with Finance Department officials of the Taiwan provincial government, and noted that the future domestic credit card processing system would be a dual-track one in which the United Credit Card Processing Center and the Banking Information Center would each be responsible for a credit card processing system.

In October 1991, MOF asked the United Credit Card Processing Center and another bank processing center that it was planning to organize to present research reports on organizing either a single- or dual-track credit card processing center.

While the United Credit Card Processing Center study favored a single-track system, bankers favored allowing operators to participate freely in either the United Credit Card Processing Center or the Banking Information Center processing system.

On 24 January 1992, the Taipei branch of the U.S.-run Huach'i Bank briefed MOF on credit card processing systems. The Huach'i Bank was assessing whether it should set up in Taipei an Asia Division credit card processing center, and also expressed an interest in setting up its own independent Visa card center in Taiwan.

The Banking Information Center will conduct an operational test of its IC card in July 1992, after which the IC card will join with the Visa card or the American Express card to make the Banking Information Center an immediate competitor with the United Credit Card Processing Center.

The officer at MOF's Banking Office said that a dual-track credit card processing system would improve service quality through competition, while making each center issue cards at the minimum economy of scale.

In addition, a MOF official has pointed out that if the Huach'i Bank wants to set up its own independent credit card center, MOF will consider granting it permission to do so as a special case.

As credit card processing will use a dual- or perhaps even triple-track system, the MOF official says that consumers are likely to receive better service due to the sharp market competition.

**Establishment Standards Will Be Set for the Insurance Industry, With Required Public Sale of Stock Rights in New Companies**

An official at MOF's Insurance Department said yesterday (5 March) that in lifting its restrictions on the establishment of new domestic insurance companies, it would require the public issue of capital stocks in all new insurance companies, while requiring that the capitalization of existing companies be brought up to the capital standards of new insurance companies within a specified period of time.

MOF is drawing up a plan for "Insurance Industry Establishment Standards." The Insurance Department official said that many professionals and academics think that the capitalization standards of \$1 billion NT for newly established property insurance companies and \$2 billion NT for life insurance companies are adequate and need not be increased.

The Insurance Department official said that because the incorporation law stipulates public issue of stocks in companies with \$200 million NT in capitalization, because the capitalization of new insurance companies that are set up in the future, whether property or life, will be more than \$200 million NT, and because they will conform to the provision on decentralized stock rights only after they meet the required public sale of part of their stock rights, new insurance companies will certainly offer public stock issues.

Existing insurance companies should also begin to offer public stock issues. The Insurance Department official said that as long as existing insurance companies increase their capital gradually, they will be able to conform to the public stock issue requirement.

While current government regulations set minimum insurance company capitalization at only \$100 million NT, this figure will exceed \$100 million NT for new insurance companies that are established in the future, which will be stipulated in the "Insurance Industry Establishment Standards."

The MOF official said that once the capitalization standards are set for the establishment of new insurance companies, there will be a corresponding requirement that existing insurance companies bring their capitalization standards up to those of new insurance companies within a specified period of time.

The Insurance Department official also said that public stock issues will make insurance company financial conditions more transparent, making it easier not only for investors and those insured to more effectively control insurance company financial conditions, but also for insurance companies to put stocks on the market.

**1992 Financial Market Analyzed**

92CE0279A *Taipei TSAI HSUN/WEALTH MAGAZINE* [in Chinese No 1, 1 Jan 92 pp 370-375

[Article by Ku Kuang-ch'uang (0657 0342 2490): "Wise Counsel for Investment in 1992"]

[Excerpt] [passage omitted]

**Domestic Stock Market Continues To Enter Readjustment Period**

Speaking of development, in 1991, the trend of the domestic stock market was like a mountain, i.e., high in the middle and low at both ends. While observing the fluctuations in a general trend, we see that the highest point of the stock price index on 10 May was nothing more than the apex of the rebound from the fall from the historic peak of 12,682 on 12 February 1990. In other words, by 1991 yearend, the general trend of falling and subsequent adjustment had not changed; it could even be said that in 1992 this bearish trend will continue!

By the end of 1991, the ruling party had responded to the end-of-the-year National Assembly elections. In October of that year the Executive Yuan's Development Fund suspended the sale of the Central Commercial Bank stock it had been holding, the Ministry of Finance also temporarily stopped selling the three commercial bank increased-capital matching stock, and the party's Central Investment Corporation also temporarily ceased releasing stock. However, investors know that all these actions, which have been stopped, would resume at the beginning of the year after the election.

Therefore, in 1992 investors in the domestic stock market will face a situation in which public-run enterprises will become people-run enterprises, trust and investment companies will become banks and insurance companies, stocks held by banks will be limited to the release of various kinds of huge blocks of certificates, and there will be pressure from the government's need to raise money for the six-year national construction program by issuing a large number of bonds and also its need to absorb funds.

Although last year, Taiwan trade with Hong Kong grew an average of 30 percent per month—the greater part of this trade being entrepot trade to the Chinese mainland. The grand total of the previous 11 months of Taiwan's exports to Hong Kong exceeded \$9.47 billion; thus, last year our country's import and export trade could exceed the \$12.5 billion trade surplus over the year before last. The greatest part of the mainland's goods are shipped to the United States; recently, because the talks on the question of protecting intellectual property rights founders, the U.S. side intends to check out 301 special clauses in retaliation. If there is still room for maneuvering in the talks even before 26 February, and things only develop to this point, it shows that trade protectionism is gaining ground, which is a worrisome development.

In the Six-Year National Construction Program, the most important project is communications, and obtaining the use of land for it is becoming more difficult and expensive. For example, the budget for the Pei Erh Kao project has been supplemented time and again, and the supplemental budget is now three times the original budget. The equipment for many precision engineering projects relies on purchases abroad. Moreover, it is impossible to directly supply relevant materials in the construction zone. Therefore, domestically favored industries are limited for the most part to cement, construction, and iron and steel industries of basic civil engineering.

In recent years the consciousness of environmental protection has gained ground among the people of Taiwan, and the government has also become determined to outlaw pollution. However, enterprises are frequently reported as being offenders, and the advantages obtained from spending huge sums of money to improve the pollution situation have been reduced. Alas, administration is not easy.

Summing up the above analyses, in 1992 there will, of course, be small rebounding fluctuations, but the chances of large upward fluctuations will be small.

#### Volume of Transactions Is Perpetual Index of Confidence

The changes in the volume of transactions on the stock market clearly tell us this. Usually, one can almost draw an equal sign between the volume of transactions and the confidence of the people, because if the people do not have confidence in a thing they will not buy it.

The year before last, when the domestic stock price index was at its peak above 10,000 points, the transaction volume was often 100 or 200 billion New Taiwan dollars (NT\$) (on the peak day the closing index was 12,065 points). Looking back at the period after June of last year, we see that the transaction volume gradually sagged every day, and recently the per-day transaction volume has, for the most part, been only slightly over NT\$10 billion, thus exhibiting the phenomenon of an ebb tide in funds.

By contrast, in the transaction volume of gold on New York's Commodity Exchange (COMEX), there has been a gradual rise from the gold price bottom on 12 September last year. From 81.323 (kou) [0656] (a kou is 100 ounces) in the middle of September, the weekly transaction volume sharply rose in November to 280,047 (kou), which was the highest weekly transaction volume since the end of March 1990. This quietly showed that there was an initial question mark with regard to the transfer of global investment funds, and thus it was noteworthy.

On this point what must be emphasized is that no matter what kind of investment is made, what is most important is to know the direction of the general trend of the fluctuations.

Because a large bullish trend or a large bearish trend is like a tide, if an investor is not sure whether it is a rising tide or an ebbing tide, he will very easily be engulfed and submerged by the rising and falling of great waves.

The large bearish trend in the 63rd year of the republic [1975] after the large bullish trend in the 62nd year of the republic [1974] is a clear-cut example. The trend of the entire 63rd year can be simply divided into six wave bands heading downward. However, in every rebound, no matter from what technical indicator it is viewed, was a sharp pickup, causing the investors on each occasion to take incalculable losses because of their errors. And in 1992 I fear it will also be very difficult to change this "cattlehide" trend.

After several years of upsurge, in the minds of investors nearly all the good stocks have been unearthed, the potential of most stocks is known by all of them, and it is very difficult to find value positions on the low side.

Given the Taiwan stock market's longstanding characteristic of having a strong atmosphere of speculation, it is expected that in 1992 the stocks that will be fairly prominent will be small- and medium-sized stocks with a capital of \$NT2 billion or less, and that they will present an opportunity. It will be fairly easy to get control of their certificates. Given special themes, such as the reelection of trustees, there will be fairly prominent market quotations, but the time period in which the quotations rise could be short. By contrast, it is not easy to see a space for large fluctuations of large stocks. At the same time, because the prospects for a boom are not as good as in 1991, the trend of blue chip stocks is not entirely clear.

At the present time, of the trend analysis methods the shifting average line method could be a case of "the hero having no scope for his abilities." The analytic method that must be adopted is the wing rate method. For example, subtract the MACD, PSI, and KD values from the DIF, i.e., make profit from the differences in the rise and fall of stock prices.

An interesting statistical report is one that is the result of the research done by two professors of North Texas University on America's stock market from 1926 to 1987. In this 62-year period, if the 30 optimum months are left out, the result of the 62 years of investment is zero. These 30 months are only 6.7 percent of the 62 years. On average, in each year circumstances were good in only one month. Therefore, investors are reminded that sometimes "rest" is also quite important.

The question of the investor's confidence has been previously stressed time and again, so the measurement of the market from the fundamental aspect of the P/E (principal/earnings ratio) should be the determining way of viewing the future. For example, when the economic cycle is in its rising stage, it is expected that profits will rise, and thus the P/E becomes a straight up trend. Because stock prices rise before a company's profits do, they naturally cause a high P/E. Take, for example, the

stocks in Hong Kong's Hang Seng Index. In the past the P/E was at its highest 24 times and at its lowest only six times. This is an extremely large discrepancy. So isn't it difficult to say which P/E multiple is "rational"? Also, usually after "the affair is over and the situation has changed," do we talk about what the rational P/E should have been? It is difficult to hide its "backward" nature. Therefore, what truly pushes stock prices up is fundamental economic factors, not the P/E, so please don't put the cart before the horse.

#### Contraction of International Funds

In the investment market there is no sure-win formula, just as on the battlefield there is no ever-victorious general. In a year, if there is a 40 percent rise in profits, then a drop of just 28 percent will mean that nothing will be left (note:  $1.4 * (1 - 0.28) = 1.008$ ), and this does not include commission and exchange tax.

Looking to the future, we see that international finances will be tight. Even Japan, in which the economic situation now is at an optimum, has taken since 1989 one measure after another to tighten its money. Especially since last year, the growth of Japan's money supply has been sharply curtailed. The M2 + CD from March to

September 1991 only showed a tiny increase of 1.8 percent as compared to that in the same period of the previous year.

Looking back more than four years, when U.S. stocks, due to "overheating," fell disastrously, the global economy retained its vigor, but the American economy is now in all sorts of trouble. The consumer and the investor lack confidence in the future, large enterprises are constantly reducing the number of their employees, real estate prices are falling, and there is much bad debt. The high growth in the eighties was accompanied by high debt. In 1991 the U.S. consumer debt was 87.7 percent of individual annual income, i.e., four-fifths of one year's income had to be used before the debt could be repaid. Besides economizing on food and clothing and frugal living styles, what can the people of this debt-ridden country do? The investor knows that President Bush, in seeking reelection, has only one other alternative besides "reducing interest," i.e., "reducing taxes." But can the enormous financial deficit be put aside? Moreover, no matter what the result is, it will be no more than a short-term, stopgap measure. Therefore, faced with a period of readjustment in 1992, the investor ought to act in accordance with the opportunities presented by the abovementioned methods.

**Paper on UK Reaction to New Hong Kong Governor**  
*HK2704012492 Hong Kong TA KUNG PAO in Chinese*  
26 Apr 92 p 8

[“Special report” from London by staff reporter Huang Nien-szu (7806 1819 2448): “New Hong Kong Governor in Eyes of British People”]

[Text] London, 25 Apr (TA KUNG PAO)—

#### Reports by British Media

Yesterday, UK Prime Minister John Major announced the appointment of Mr. Chris Patten as Hong Kong's next governor. This finally ended people's conjectures about the possible appointees for the next Hong Kong governor. The British mass media and newspapers attached importance to the appointment and all reported it.

Yesterday, UK Foreign Secretary Douglas Hurd made it clear in an interview that the UK Government considered it necessary to appoint a high-level person as Hong Kong governor in the transitional period's last five years.

It is the first time in Hong Kong's history of over 100 years under British rule that a key former British cabinet member has been appointed Hong Kong governor. In the eyes of many British people, the Hong Kong governorship is only a position with attractive pay and perks but does not bring any salient political honor to the appointee. So it can hardly be linked with a career politician's ambitions. Therefore, many British people are interested in Chris Patten's decision to accept the appointment.

As everyone knows, Chris Patten, the Conservative Party chairman, was defeated in his own constituency in the recent general election. So he lost his MP status and his chance to enter the cabinet. While criticizing the British Government yesterday, George Foulkes, the Labor Party foreign affairs spokesman, said that the Hong Kong Governor's Office was merely a consolation award given by John Major to Chris Patten for his meritorious service in the Conservative Party's election victory. The Hong Kong Governor's Office has now been turned into a “lucrative post” quite different from what it was in the past, and has become an important position of political significance.

#### Patten Affirms the Hong Kong Governorship's Challenging Nature

The appointment process has been rather clear. A few hours after the election results were known, John Major told Chris Patten that he wanted him to be the next Hong Kong governor. Yesterday, Patten also admitted that if he had not been defeated in his constituency, he would never have thought of being Hong Kong governor. In fact, nothing else could be more attractive to this career politician. He is too young to enter the House of Lords, and he has no certainty of winning the next election in

his constituency. Patten affirmed that the Hong Kong governor's job is a real challenge for him, and can fully make up for the election loss.

Hurd said yesterday that the government's appointment of Patten as Hong Kong governor will upgrade the political level of Hong Kong affairs. Chris Patten and John Major and Douglas Hurd admit that they share fraternal feelings for each other, and have no barrier at all in their communications. By saying this, they wanted to emphasize that Hong Kong affairs would attract attention and would be understood at any time by the UK Government's top leaders, thus showing that the UK Government does attach great importance to Hong Kong affairs.

#### Advantages and Disadvantages of Appointing a Politician Hong Kong Governor

Undeniably, one of the reasons for appointing a politician Hong Kong governor is to soothe the Hong Kong people's complaint about UK Government neglect of Hong Kong affairs. Moreover, the new Hong Kong governor of politician origins has close personal relations with the UK prime minister and foreign secretary. Is this more advantageous or disadvantageous? A reporter also asked Patten this question.

When discussing the advantages and disadvantages of Chris Patten's appointment as Hong Kong governor, apart from what has to be observed in the future, one should first make clear where the Hong Kong people's interests lie and whether the Chinese and British Governments share any common interests on the Hong Kong issue so that they are willing to safeguard the Hong Kong people's interests.

UK Prime Minister John Major yesterday issued a statement, saying that Chris Patten's appointment as Hong Kong governor is aimed at ensuring the UK Government's more effective management and rule over Hong Kong, thus guaranteeing Hong Kong's smooth transition in 1997.

Chinese Ambassador to Britain Ma Yuzhen yesterday said in an interview: “I do not think that Chris Patten's appointment indicates any change in UK policies. Whether the next Hong Kong governor is a diplomat or a politician makes little difference to China, because a Hong Kong governor will always have to safeguard UK interests in Hong Kong. We look forward to cooperation with Mr. Chris Patten in ensuring Hong Kong's prosperity and stability and the smooth transfer of power in Hong Kong. This is representative of the common interests of China and Britain.”

#### Patten Can Accomplish Two Major Things

Chris Patten repeatedly stressed yesterday that he will represent the Hong Kong people's interests, and that in the transitional period, nothing else is of greater significance for the Hong Kong people's interests than keeping Hong Kong prosperous and stable. In the future, Chris

Patten can accomplish two major things. First, he can maintain good relations with China, and Patten himself yesterday affirmed the importance of such good relations. Second, he can go all out to maintain Hong Kong's status as a financial and commercial center. Some commentators here said that this might be a weak point of Chris Patten as a career politician, but he would certainly redouble his efforts to further consolidate Hong Kong's economic status as this is the only way to ensure

that Hong Kong will continue to produce a positive influence on China.

The British people are generally interested in knowing about the vista of Chris Patten's political career. In fact, this politician is well aware that the key to returning to Britain's political arena will depend on whether or not he will be a successful Hong Kong governor and ensure Hong Kong's smooth transition.

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